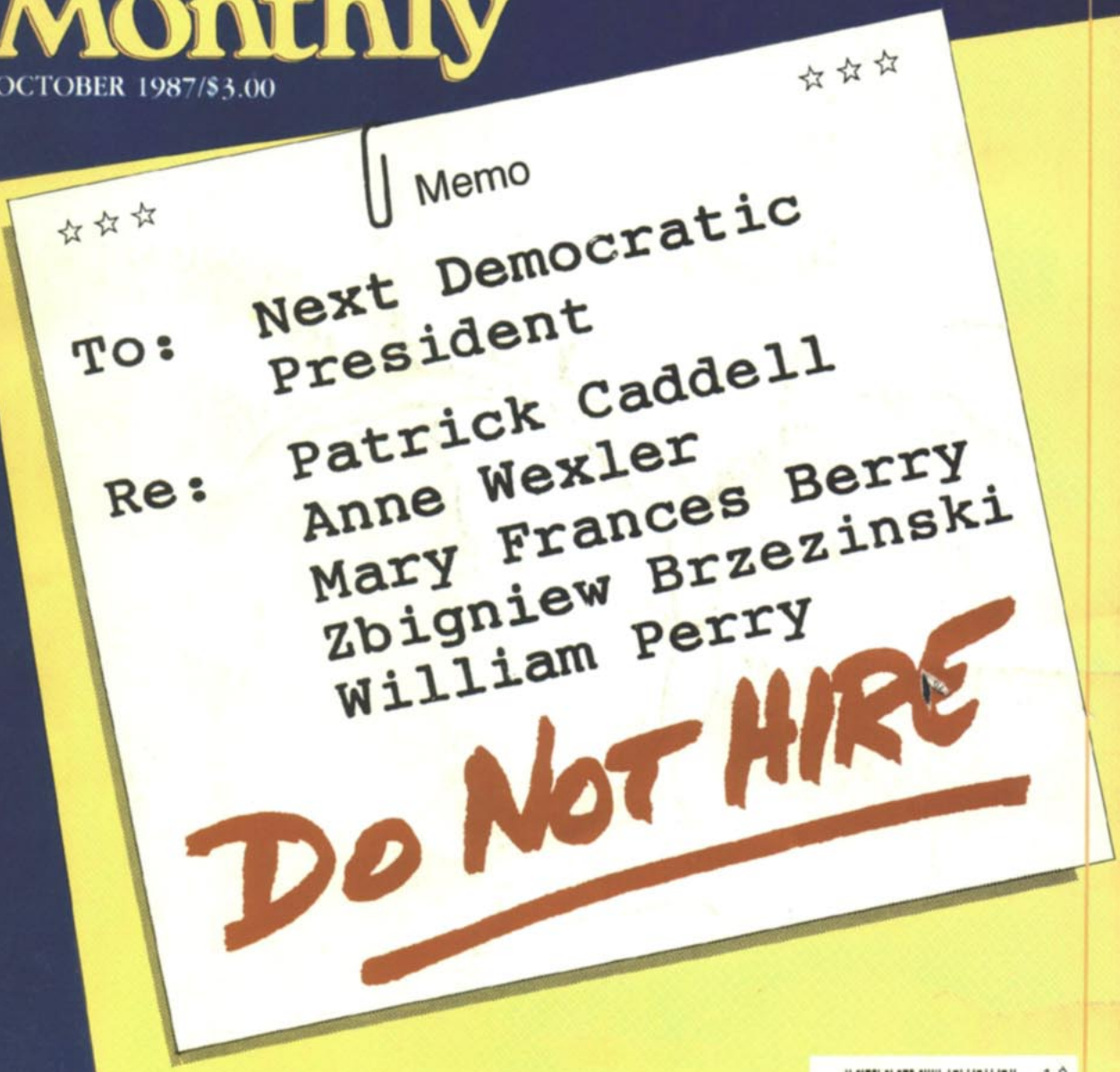
- How American bank loans line the pockets of the Third World's elite
- Sidney Blumenthal on George Will
- Norman Ornstein on Tip O'Neill

The Washington Monthly

OCTOBER 1987/$3.00



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LETTERS

Get it?

I have been a subscriber to *The Washington Monthly* for many years and have never before written a letter to you. The disgusting article on Gandhi in your July-August issue ["Gandhi's Girls," Art Levine] forces me to do so. I think your readers deserve an explanation as to why you chose to run an article impugning this man's name and reputation in such an offensive way.

Is this supposed to be satire? Are we supposed to draw some obscure relationship between Gary Hart's problems and this fictional report?

If so, it fails miserably. If you want to raise questions about Gandhi's contributions to civilization, you owe it to your readers to do so in a context that objectively analyzes those contributions and does not focus on a Westerner's interpretation of his Yogic lifestyle.

If you wish to suggest that Gary Hart would have made similar contributions had he not been brought down by media reports on his lifestyle, that argument should similarly be made on its merits and not at the expense of Gandhi.

This is not only in bad taste, it is bad journalism. In fact, it is not journalism at all. It is...what? Can you tell us? As far as I am concerned, it is merely offensive.

JEAN V. MURPHY
Falls Church, Virginia

That was a great piece on Gandhi, right down to the solemn note that neither of his rivals had the "name recognition of a Gandhi."

SPENCER KLAW
New York, New York
Mr. Klaw is editor of the Columbia Journalism Review.

The editor replies

We think Gandhi was a great man. The idea of the article was simply to show what today's press would have done to him.

Better data in Cleveland

Your remarks on the Venice summit ["Tilting at Windmills," July-August] apply equally well to meetings in academe. When a professional conference is held in San Diego or Miami (typically in winter), chances are the papers will be higher in number and lower in average quality than when a similar meeting is held in Cleveland or Indianapolis. The more scenic meetings are by no means professionally worthless, particularly for the newcomer, but one can reasonably question whether they are worth the cost that taxpayers, via federal grant agencies like the National Institutes of Health and the National Science Foundation, often bear for such activities.

WILLIAM E. COOPER
Iowa City, Iowa

Anti-Union article

While no institution created by human beings is perfect, I was shocked that *The Washington Monthly* labeled the United Food & Commercial Workers Union as among the "worst" in the labor movement ["The Best and Worst of American Unions," Steven Waldman, July-August]. I don't believe the UFCW deserves to be ranked with those who are labeled as crooks or racists.

The focus of the writer's wrath was two-tier contracts. The UFCW, he charged, has the most two-tier contracts in the labor movement and that proves it isn't acting in the best interest of its members. First of all, the UFCW has the most contracts of any union, period. Therefore, it is likely that it has the most contracts with any single type of provision, good or bad.

Nobody in the labor movement likes two-tier contracts. They are no good. But it is a fact of life that employers frequently sell such contracts to union members over the objections of their leaders on the short-sighted basis that existing employees won't be hurt. Since the UFCW is a democratic union, members have the right to vote on their contracts.

I do know that the UFCW has made as one of its goals the elimination of two-tier structures where they exist. In the Washington area, for example, the most recent negotiations made huge strides in closing the gap between the tiers. More to the point, however, is

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that as bad as two-tier is, there is one thing worse: losing jobs. It is unfair to blame the union for the fact that economic conditions under the Reagan administration have made it easy for employers to exploit the fear of workers over potentially losing their jobs. At the same time, the union leader who fails to be concerned over the possible loss of jobs in order to make a principled stand against two-tier is inhuman and not doing the job to which he or she was elected.

The author gleefully quoted an official with a California grocery chain that the company fired senior workers and replaced them with workers at a new hire rate (there is not a second tier in that contract). But the writer didn't note, as he could have if he had done his homework, that the union conducted an aggressive program that forced the company to back off, to rehire or upgrade many of the affected workers, and pay $1 million in back pay for workers who had lost their jobs or had their hours reduced.

The reason that I've reluctantly come to the conclusion that the sole motivation for the article was to do a hatchet job is that nowhere is there a mention of the tremendous number of good works of the UFCW.

The UFCW recently has organized and negotiated contracts for more than 2,000 workers in Mississippi's catfish processing industry. The workers, mostly black females, were basically paid the minimum wage before the union. They will receive increases of up to 95 cents an hour and such minor things as bathroom privileges. The author might not agree that that is important, but probably not since grade school has he had to endure the indignity of placing one's bodily functions at the whim of someone in authority.

The UFCW continually sets records for organizing workers at a time when many unions cannot or will not organize. It has raised more than a million dollars for leukemia research. Few unions have been as active in the occupational safety and health areas as the UFCW.

Yes, the UFCW is my union. Yes, I was a vice president of that union, and my campaigns for Congress have drawn help from the UFCW. No, the UFCW is not perfect. But it doesn't deserve the calumny heaped on it by *The Washington Monthly*.

CHARLES A. HAYES
Washington, D.C.

Charles Hayes is a congressman from Chicago, Illinois.

I am, and have been for more than 20 years, a card-carrying member of the International Brotherhood of Teamsters. Being a Teamster makes me no more like Jackie Presser than being an American makes me like Ronald Reagan. There are many things in life for which I am thankful; I just stated two of them.

To be sure, I'm better paid than non-union workers in my industry (food warehousing). Up to $7 an hour better paid; up to $20,000 a year better paid. When my benefits are considered, the economic spread between me and non-union workers is even greater. My prescription plan more than pays my union dues ($24 a month). My vision plan provides eye exams and

The Washington Monthly

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glasses (when needed) for me and my family. My pension plan provides for my retirement and guarantees my wife an income should I not survive to retirement. Recent retirees under the plan that covers me earn more in retirement income than non-union workers are paid for full-time employment. My daughter, 18 and a college sophomore, has never had a dental cavity, thanks to her parents' care and our Teamsters's dental plan. Our legal plan provides legal assistance when necessary. My wife and I have drawn our wills using the plan. My health care plan gives me and my family $1,000,000-plus protection. These benefits are paid in whole by my employer.

I enumerate my wages and benefits, not to forgive the real and perceived wrongs our leadership commits, but to show why the Teamsters remain a viable union.

G. E. WALCH
Springfield, Massachusetts

By and large, Steve Waldman implies that what really separates the best from the worst among American unions is that good ones are responsive to their memberships, are democratic in structure and internal procedure, and are concerned about the concrete needs of their members.

Whether any particular union or local is good or bad is a function of luck because the principal factor forcing a union to be responsive to its membership is missing. When employees can, without risking their jobs, leave or refuse to join a union which is corrupt, violent, Mafia-dominated, racially discriminatory, or undemocratic, that union has an incentive to change; if it does not, it will cease to exist. Thus, the single most important factor which permits (indeed, actually encourages) unions to "turn bad" is their power to compel membership or financial support as a condition of employment.

REED LARSON
Springfield, Virginia
Mr. Larson is president of the National Right to Work Committee.

Steven Waldman replies:

What Rep. Hayes cites as proof that I set out to do a hatchet job is proof that he didn't read my article very carefully. My UFCW section did point to the good things about the union, including its strong organizing record and its "many wise and strong individual unions." Give me a choice between the UFCW and a racist or Mafia-run union and I'd choose the UFCW any day. None of this excuses the indisputable fact that UFCW has been the leader in the establishment of two-tier wage systems, which, although not as dangerous as mob control, are an insidious development in labor-management relations. The UFCW, in addition to having negotiated most of these contracts, also began earlier than most unions. Moreover, the *percentage* of UFCW contracts that are two-tier is twice the workforce average.

I cited the California grocery to show just how dangerous two-tier contracts can be, in that case leading employers to fire senior workers. In other cases it has weakened the union by dividing new workers from old. It is a fundamentally inequitable way of spreading the burden. As for Rep. Hayes's defense that this is democracy at work, that is no justification at all. Workers who vote to screw over future workers deserve criticism whether they did it by secret ballot or by drawing straws. In arguing that these concessions save jobs, Rep. Hayes sets up a choice between two-tier contracts and loss of jobs, but fails to mention the obvious third choice: having current members bear more of the burden. Ideally no concessions would be necessary, but if unions feel strongly that wage cuts are needed to save jobs, they should spread the pain equitably, not thrust it disproportionately on to those who aren't yet there.

Mr. Walch's point is well taken. Current workers are invariably better off represented by the Teamsters than by no union at all. Indeed, one of the reasons the Teamsters have gained popular support during membership drives over the years is that workers think this is one union that won't be pushed around. That was basically true during the Jimmy Hoffa days. But the reason the reformist Teamsters for a Democratic Union is now making progress is not so much a new-found distaste for mobsters, but a growing sense that the union isn't delivering for its members like it used to.

Finally, there's Mr. Larson's argument for right-to-work laws. American labor laws proscribe a rather familiar formula for deciding whether a shop will be unionized: you have a vote, and if a majority says yes, then it's unionized. It's sort of like, oh, Western democracy. Those who voted for Walter Mondale were not allowed to secede, refuse to obey federal law, and negotiate a separate tax code directly with the government. I think Mr. Larson would concede that a rebel state of Mondale supporters would be divisive for our nation. The effect would be similarly destructive for unions, which is, of course, why Mr. Larson and conservatives support right-to-work laws.

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Marshall over Shultz

Your article about General George Marshall ["Marshall Arts," Evan Thomas, July-August] was very timely. During the recent testimony of Secretary of State George Shultz, I could not help but compare his wailing and complaining about how he was being treated with the awesome authority and dignity of General Marshall. What a difference between these two men in fulfilling their responsibilities as Secretary of State of the United States.

L. A. FRIEDMAN
Mercer Island, Washington

Aircraft over Libya

"The Case Against the Air Force" [Robert Coram, July/August], contains the following errors:

The author says equipment breakdown caused four planes to "turn back without releasing their bonds during the Libyan raid." Actually, the planes could have bombed anyway but were told not to do so if they would risk hitting civilians.

The author says the "technology...struck out against Quaddafi." Actually the raid inflicted heavy damage with excellent accuracy. No reasonable man can say the laser bombs failed.

The author says, "Interdiction did not have the decisive effect on Germany that backers predicted." First of all, it wasn't *interdiction* but rather *strategic bombing* that was used and American daylight precision bombing was decisive by any reasonable assessment.

The author claims U.S. tacticians, frustrated by inability to hit precise targets, took to bombing cities. The truth is that American area bombing began as a result of the Battle of the Bulge, when our strategists thought Germany was not beaten and would have to be terror-bombed into submission. By that time, daylight precision bombing had become plenty effective.

The author says one of the FB111s was shot down in the Libya raid. False. It apparently crashed in the water before the raid began. It was not shot down.

The author describes planes with skins able to deflect bullets and small cannon rounds. A plane that tough would be too heavy to fly.

DOUG DEHMONT
Gaithersberg, Maryland

Robert Coram replies:

Mr. Dehmont is to be congratulated for the fidelity with which he adheres to the Pentagon's world view. However, a considerable gap exists between that view and reality.

Taking his points in order:

—I don't know what Mr. Dehmont proves by noting that the FB111 that turned back "could have" dropped their bombs. Four aircraft turned back because of the of the failure of high-tech equipment.

—Some bombs fell two miles from the target. More that 100 civilians were killed. Ignore all of this and Mr. Dehmont is correct that the laser bombs were successful.

—While he is correct in his narrow definition of interdiction bombing, civilian readers do not understand the fine distinction between strategic, tactical, and various types of interdiction bombing, especially when strategic aircraft make tactical attacks and when tactical bombers make strategic attacks and when both can perform interdiction attacks. As for the impact on WWII of our bombing of Germany, Mr. Dehmont should read the *Strategic Bombing Survey.*

—If the FB111 crashed before the raid, it proved the unreliability of high-tech equipment. However, the evidence strongly suggests that the aircraft was hit during the raid and then crashed into the sea.

—The A-10 and the Soviet Sukoi-25 are armored and they do fly.

Dynamic numbers

Your July-August article, "How the Government Cooks the Books" [Phillip Longman], contained erroneous and misleading information on federal civil service pay and retirement.

You stated: "The liabilities of the civilian CSRS [Civil Service Retirement System] pension fund are...$537 billion as of September 1985."

Fact: The government keeps two sets of books on the CSRS unfunded liability. Under "dynamic" assumptions of eternal high inflation, annual pay adjustments not capped or denied by political action, and cost-of-living adjustments not curbed or denied, the liability was $544.4 billion as of September 30, 1985. But under "statutory" assumptions, as determined by actual experience, the liability was $190.2 billion, for a decrease of $400 million in the most recent year of record. The fund's assets increased by $17.5 billion that year.

H. T. STEVE MORRISSEY
Washington, D.C.

Mr. Morrissey is president of the National Association of Retired Federal Employees.

Phillip Longman replies:

Mr. Morrissey touts "statutory" assumptions as if they were somehow realistic. Hardly. They're based on a fantasy of zero inflation, zero pay increases, and the retirement of only today's civil servants, not those who are sure to be hired in the future. "Dynamic" accounting assumes not "eternal high inflation" but an annual rate of 5 percent. It's misleading, too, to say that the CSRS fund has $17.5 million in assets. The so-called assets are held in the form of Treasury debt for which future taxpayers will be liable. As the Congressional Research Service noted, it is little more than an IOU to ourselves.

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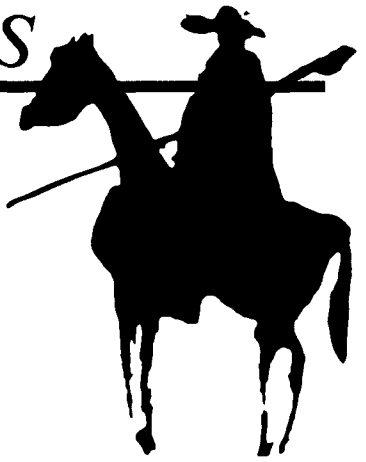
TILTING AT WINDMILLS



There is a proposed constitutional amendment in California that may go a bit too far, but you have to admit it's headed in the right direction. It would abolish the California Bar Association and prohibit its members from holding public office or practicing law in California courts....

In September, the National Endowment for the Humanities released a study that testified to, among other things, a frightening ignorance of history on the part of the 8,000 17-year-olds surveyed. In the same month, ABC stopped airing "Our World," an excellent series of documentaries on modern American and world history. Since Thomas S. Murphy, the head of Cap Cities-ABC, is supposed to be one of the smartest businessmen in America, why can't he use some of his genius to figure out how to keep "Our World" going? Don't these guys have any desire to do good while they're making money?

Of course, we shouldn't leave virtue entirely to them. Both the networks and the stations they own are shared monopolies that should be regulated in the public interest. We should demand shows like "Our World" in return for the money-machine franchises we give these companies.

I am a fervent capitalist, but I know that capitalism, left to itself, can maim, pollute, and monopolize. Regulation is the only way to control these tendencies. We need more of it now, not less. What we have to care about this time around is making the regulation sensible so that it won't reacquire the bad name that led to its demise under Ronald Reagan....

It is rare that newspapers blow the whistle on themselves. So the *Los Angeles Times* deserves a pat on the back for having done so recently in a series on wine writers by David Shaw. The articles explain how critics receive free wine, free meals, and free trips to vineyards in Europe and California and that, coincidentally of course, the provider of these goodies usually is rewarded with praise from the writer. Shaw noted that such arrangements were forbidden by a few major papers, but not by the *Times*. He discovered that the *Times*'s wine critic, Nathan Chroman, not only got the free wine, the free meals, and the free trips—for himself and his wife—but that he also had "a financial involvement with at least three California wineries," and that the second edition of his book, *The Treasury of American Wine*, was subsidized by Inglenook Vineyards. The space devoted to Inglenook was doubled in the second edition. Coincidentally of course....

It looks like the states that are honored in my Hall of Fame of Corruption—West Virginia, Massachusetts, New Jersey, Kentucky, Tennessee, Nevada, and Louisiana—will have to make room for a new star. It is New York, where previously naughtiness had been thought to be rare north of the Westchester County line. Now comes the FBI sting operation, where out of 106 officials from all around the state who were offered bribes, 105 accepted and the 106th declined only because he deemed the amount offered him to be inadequate.

But, despite the new competition, my home state, West Virginia, continues to maintain its lead in innovative approaches to

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hanky-panky. Not long ago, for example, it was discovered that Blue Cross had overcharged the state $6.4 million, and the state attorney general sued to get it back. After a ruling by the West Virginia Supreme Court made clear that the state would ultimately win, Blue Cross proposed a settlement. It offered the assistant attorney general handling the case, Cletus Hanley, $1 million for the state—and $241,251 for himself. Hanley accepted....

Speaking of West Virginia, here is a statistic worth pondering: 8.5 percent of the state's workforce is now employed by the mining industry; 21.9 percent is employed by government....

Why not have each presidential candidate present his own version of the federal budget for the next fiscal year, showing just how he would change the present level of expenditures? If he proposes increases, he should also indicate from where he expects to gain additional revenue. This idea was put forth this summer by the editor of *Science* magazine. I endorse it wholeheartedly and hope others will too....

Only Bruce Babbitt has faced the need for increased taxes so far. In addition, Babbitt has had the courage to propose means testing for the entitlement programs, with less money going to the affluent and more to the needy. And only Babbitt has had the wisdom to support profit-sharing as a way to moderate wage demands in the interest of competitiveness without stealing from the worker the rewards his sacrifice might make possible.

Yet Babbitt is dismissed by much of the press because his name sounds silly and because he managed to look pretty silly in the Houston debate. Note I said look; it was his appearance and bearing that offended, not the substance of what he had to say. Only *The Washington Post*'s Paul Taylor and David Broder and the *Los Angeles Times*'s Robert Shogan have shown any sign of appreciating Babbitt's superiority on matters of substance....

Speaking of election coverage, *The New York Times* recently carried this observation about the candidates: "The emergence of competence and experience as key tests for the coming campaign would appear to help such candidates as Senator Bob Dole, the Kansas Republican who has served as Senate majority leader, and Governor Michael S. Dukakis of Massachusetts, who has run a widely praised administration in a major industrial state. Those criteria would seem something of a handicap to relative outsiders like former Governor Bruce Babbitt of Arizona and Senator Albert Gore Jr. of Tennessee."

The competence and experience test could just as easily have come out in favor of Babbitt, who was also a highly praised governor. But Babbitt aside, the statement about Gore is just plain stupid. Gore does have faults, but they do not include a lack of competence and experience. Before his 1984 election to the Senate, where his mastery of arms control issues exceeds that of any of his colleagues, he was one of

The truth they didn't want told.

Newsweek reporter Richard Manning was expelled from South Africa last year for his hard-hitting reports on that nation's violent struggle with apartheid. That attempt to suppress resulted in "THEY CANNOT KILL US ALL," the most lucid, gripping, humane account of what it is for South Africans of every race, class and outlook to survive in their agonizing crucible. Richard Manning's eyewitness account brings us with unrivaled clarity the harsh truths of a nation in turmoil.

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the most respected—for competence—members of the House for eight years....

My next complaint against the *Times* concerns a story that appeared on July 8, describing favorable action by the New York legislature on a bill that would supplement the pensions of retired state and municipal workers. The article quotes Mayor Koch as saying he would have to cut city services to pay for the increased pensions. It also quotes the state's comptroller, Edward V. Regan, as supporting the additional pension payments because the "vast majority of the retirees from state and city service have suffered significantly as a result of inflation."

This is the kind of objectivity through opposing quotes that drives me around the bend, offering us not one word of the information we need to know to decide who is right. Will Koch really have to cut services? What services? How much pension is the average retiree already getting? How much was he paid before he retired? In other words, what could he reasonably expect in the way of pension income? What evidence is there that what he is getting is inadequate? On all the questions the *Times* stands silent, leaving its readers with only the conflicting quotes and no way to evaluate them....

Now for *The Washington Post*. On Saturday morning, August 15, I bounded down the stairs and out the front door, eager to pick up the paper and read about the first Redskins exhibition game, which had been played the night before. Also, I was anxious to see how my favorite baseball team, the Cincinnati Reds, had done that evening. There was nothing about either game in the *Post*. There were no night baseball scores at all. Obviously I had received an early edition. But I don't reside at some RFD address or even in the suburbs. I live well within the Washington city limits.

We have often complained about how the *Post* has failed to meet the Night Baseball Box Score Test since the demise of the *Washington Star*. Once papers achieve monopoly status, they tend to get careless about making sure the previous night's sports results—and theater, music, and dance reviews—make it into the next morning's paper. At the *Post* this problem is compounded by its owners' refusal to spend the money necessary to figure out which reader receives which edition. I, and many other subscribers, can get a semi-final edition one day, an early edition the next, and a final on the third day, with none of the reviews and sports results that had been missing the previous mornings.

I decided to find out if the *Post*'s brass suffers along with the rest of us, so I called a friend, Carol Trueblood, who lives a few doors from Katharine Graham. Carol didn't know there was a problem. It seems she gets the final edition every day....

When Reagan decided last March to protect Kuwaiti tankers, he was told by his senior cabinet advisers that it could be done without any increase in American naval forces in the Persian Gulf. This was reported in late August by Stephen Engelberg and Bernard E. Trainor of *The New York Times* and is confirmed by my own sources. It is a frightening comment on Carlucci, Weinberger, and Shultz....

The 1980 census cost us $1.1 billion. Senator David Pryor estimates that the 1990 bill could be nearly $4 billion. Certainly some of the information the census unearths is vital, but many of the questions seem aimed primarily at providing information for private businesses. It is possible that the government has a legitimate interest in knowing whether we have a roof over our head, a car to get around in, and a telephone with which to reach the outside world. But who needs to know *how many* bedrooms or cars or phones we have? It is interesting to note the identity of those who rushed to object when OMB proposed that some questions be omitted from the 1990 census. They included, according to Donald Lambro, a columnist who has a keen nose for bureaucratic extravagance, the National Association of Home Builders and Dun & Bradstreet....

California *is* a special place. In July, Missy Florez, the star of a porn film called *Behind the Green Door—The Sequel*, appeared before a state legislative committee to testify on an anti-obscenity bill. She argued that the bill might endanger efforts to educate the public about how to prevent AIDS, adding,

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according to the Sacramento *Recorder*, "We have hands-on experience with safe sex.". . . .

The Army Corps of Engineers owns three planes, including a 14-passenger executive jet. A recent study of their flights by the Army Audit Agency concluded: "Virtually all the flights were for routine matters and could have been accomplished with commercial aircraft." If the Corps sold its aircraft, it would gain $6.4 million for the Treasury, and, if it used regular airlines, it would save $1 million more in travel costs. The Army, by the way, has an interesting definition of routine. One of the Corps's plane trips carried wives of Corps employees to a conference of the International Association of Navigational Congresses in Helsinki. The wives' itinerary, according to the Associated Press, "included sightseeing, a fashion show, and visits to an old cottage and a candy factory.". . .

"The Drive to Increase Excise Taxes Could Drive Us Out Of Work," proclaims the headline on an advertisement in the September issue of *The Progressive*. The ad argues that proposed federal excise taxes on such products as telephones, gasoline, cigarettes, and beer would threaten the jobs of farmers, truckers, sales clerks, mechanics, and factory workers. The ad is illustrated with photographs of individuals who are identified as "members of sponsoring unions" and carries the names and logos of several large unions. Nowhere does it mention that it is paid for by the Tobacco Institute, the public relations and lobbying arm of the cigarette manufacturers. *The Progressive*, to its great credit, refused to go along with this con game. It revealed all the foregoing information on page 9 of the same issue. . . .

Speaking of unions, Steven Waldman missed one in his list of losers in our last issue. It is Local 140 of the International Die Sinkers' Conference. Not long ago, it fined Charles Prag, an edger, cutter, and die worker at the International Drop Forge Company in Milwaukee, $200 and placed him on probation for two years. His offense: he was overproductive. The union contends that Prag's high productivity deprived other members of their chance to get overtime on Saturdays. . . .

Just a few days before Caspar Weinberger was scheduled to testify before the Iran-contra committee, he gave a small dinner for his French counterpart, Andre Giraud. Among the guests was committee member Richard Cheney—invited, of course, only because of his lovely wife. . . .

The airlines are a splendid example of the need for more regulation. The evidence lately has been overwhelming. Most of it has been on the front pages, so I won't repeat it here. But you may have missed the tapes made by John King, a mechanic who was fired by Eastern for revealing its dangerously sloppy safety practices. One of King's tapes reveals that a supervisor, who did not want to report a fuel leak because it might mean the plane would have to be taken out of service, said:

"I have no chance to move this aircraft with this stinking item in the logbook. . . .We don't want any showstoppers. We want the plane to fly away.". . .

The networks have been pressing the National Football League to shorten games, which have been running well over three hours. Yet the real culprit is the TV time out, the one that is called to permit the airing of commercials and seems to grow longer every year. Remember when there were only one or two commercials per time out? Now there are more likely to be four to six, which take a lot longer. Many time outs are called, not by the teams, but by the networks, and the length of each one seems to be controlled by that man with the orange sleeves on the sidelines, who in turn is controlled by the TV director. If you aren't convinced I'm right about this, let me tell you about a friend of mine who saw a replay of the Rams-Broncos exhibition game, played in London in August, on BBC television, without commercials. It lasted exactly one hour and 45 minutes. . . .

My suspicion that we are fast becoming a nation of snobs has not been diminished by the Hardees commercial that shows a tiny tot munching a hamburger and saying she wants to go to an Ivy League college. . . .

—*Charles Peters*

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The Wall Streeters who tell you when and what to buy and sell

The Stock Analysts

by John Rothchild

Have you ever thought of calling your analyst? I mean the stock market kind, not the other kind. The one who writes the reports that your broker sends you, along with the little note that reads: "Our firm highly recommends this purchase, as noted in the enclosed." For some reason, I never thought an analyst was an actual person you could contact, until I was helped along by the dozens of Wall Street insiders I met during my year-long foray into the world of high finance.

I attended a meeting—actually a small gathering of a committee—within the New York Society of Securities Analysts. Frankly, it was depressing. In this booming field, this was an unusually sad group of white-collar professionals in their mid-to-upper forties who were constantly complaining about the younger, more aggressive analysts that the brokerage houses now prefer. They've had some reason to fret since hordes of college seniors heading for Wall Street have been particularly eager to become analysts. I was surprised, then, but not too surprised to find out that of the 1,250 students who graduated Yale in 1985, over 400 applied to be analysts at First Boston.

Listening to their stories at the meeting, I found out several useful things: (1) there are 15,000 analysts at large in the country and mostly in New York; (2) analysts at brokerage houses are expected to serve us, the stock-buying public; (3) some analysts, called "quants," speak a form of calculus, so nobody can understand a "quant" except another "quant"; (4) most analysts have MBA degrees and are very well-informed; and (5) they may be the first to know when to buy and when to sell stock.

This latter point was exciting, and made me sorry that I hadn't learned any of this earlier. The day after the meeting I watched the stock I had bought seven months before, 5,000 shares of Angstrom Inc., makers of high-tech dies, plummet as the Dow Jones average jumped 41 points. It was up more than 300 points since I started my journey—a fact I'd been trying to ignore. Worse than losing money in a bad market is losing it in this greatest bull market in history, as some already have called it. Frantically, I called my broker, Ms. Linda Garrett of Prudential-Bache.

As I picked up the receiver and started to dial,

John Rothchild is a former editor of The Washington Monthly. *His book,* A Fool and His Money: The Odyssey of an Average Investor *from which this article is adapted, will be published by Viking Penguin in January.*

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I was overcome with conflicting emotions. First, there was the dilemma of selling or not selling. Any stock you hold might eventually go up, but the act of selling at a loss forces you to admit you made a mistake. And, I hesitate to mention it, I also worried that selling the Angstrom might hurt Ms. Garrett's feelings. Then I reminded myself of something I'll leave with you as a useful hint: *Don't continue losing money just to keep your broker happy.*

By the time I'd finished dialing, I'd nearly talked myself out of what had to be done. Just as Ms. Garrett picked up, I reached a sensible compromise with my emotions: sell half.

"What's the Angstrom worth?" I asked.

"1 13/16."

"Is there anything else an analyst would recommend? I'd like to work with an analyst."

"Funny you mention it. Just a while ago, I was listening to an analyst over the morning call on our squawk box. Gillette. Nancy Hall says it's a buy. She's touting the domestic story."

(The "squawk box" is a loudspeaker connecting each field office to the home office. In the "morning call," the analysts broadcast their latest recommendations to thousands of local brokers. That's how many brokers get the new ideas they pass along to you.)

"Who's Nancy Hall?"

"Our cosmetics analyst in New York."

I got so excited at this chance to get in early on an analyst's best bet that I put in the Gillette order on the spot. We sold 2,500 shares of Angstrom for $4,289.75, a loss of $781.82, and invested nearly all of it in 53 shares of Gillette at 79 1/4.

As soon as I bought it, I called Ms. Hall. Getting through to the analyst was easier than I expected. The switchboard operator at Prudential-Bache connected me right to her line and she answered her own phone. I introduced myself as a writer and a Prudential-Bache client who'd taken a major position in one of her stocks, and who wanted to make sure he'd done the right thing. She kindly agreed to let me visit her office.

Prudential-Bache is housed in one of the many high-rises at the southern end of Manhattan along Water Street. Ms. Hall's office was located on an upper floor. I'd say the waiting room was full of fine antique furniture, but I can never tell an original from a copy.

Nancy Hall came through the far door to greet me. She is tall and beautiful, a thin, lime-colored scarf hung like a dorsal fin along her back. In any police line-up, I would have picked her for a fashion model and not a securities analyst, whom I would have expected to be stooped and shopworn.

She escorted me down a hallway and into her cubicle, which had a wonderful view of the harbor. Atop the usual clutter of pamphlets and magazines were samples of various shaving and menstrual products from the cosmetic companies that Ms. Hall analyzes. In fact, she seemed to be running a little drugstore counter there. Before I was able to sit down, she handed me the newest Gillette disposable razor, a brown one that swivels, and invited me to try it out and give her an opinion.

Ms. Hall is as charming as she is attractive. She said she'd been an analyst for only two-and-a-half years and worked as an editor at *Harper's Bazaar* before that. It was comforting to hear her say that being a securities analyst is a lot like being a journalist. Like a journalist, she works long hours, 10 to 14 a day. She has a journalist's beat, cosmetics. She writes "stories" on the dozen or so companies she follows. Less like a journalist, in my experience, was that her base salary fell somewhere between $125,000 and $200,000 a year, plus generous bonuses if her stories turned out to be true.

Recommending a stock was the easy part of Ms. Hall's job. She then had to go out and stir up demand, so the price would increase and fulfill the prophecy.

When it came to Gillette, Ms. Hall congratulated me on a wise choice. Though she might have preferred Avon herself, she was certain that Gillette wouldn't disappoint its shareholders. "We've liked the stock since it was $50," she said, "and we still like it now." She explained that Prudential-Bache had a rating system from 1 to 5, with 1 for "aggressive purchase," 2 for "accumulate," 3 for "average performer," 4 for "swap," and 5 for "sell." Each stock was assigned two numbers, the first for its near-term prospects, and the second for its long-

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term prospects. Avon was rated a 1-1, but Gillette was close behind at 2-2.

Ms. Hall went on to explain that last year's Gillette story was international earnings boosted by the falling dollar, while this year's story would be domestic profits boosted by market share gains in blades and toiletries, especially if people liked the new brown razors. She mentioned new Dry Idea deodorant products and Brush Plus make-up as big money-makers, said there'd be solid sales gains in the old razors, and predicted that White Rain shampoo, conditioner, and mousse would make a comeback.

Though Ms. Hall made a very convincing case for Gillette, I thought it wouldn't hurt to get a second opinion. I mentioned this as tactfully as I could, and she kindly gave me the names of other analysts who followed the stock. In fact, she seemed as anxious as I was to find out what these other analysts were saying. "Let me know if you hear anything interesting," she said. "You can call me back any time."

Wiggling the toe

The first name on Ms. Hall's list was Deepak Raj of Merrill Lynch, whom I contacted immediately. After I mentioned that I'd visited Ms. Hall, he invited me down to Merrill Lynch headquarters, which is more or less the same setup but without the antique furniture.

As you might have guessed, Mr. Raj is of Indian descent. He was much too agitated for a prolonged, idle conversation. Perhaps if I'd bought my 53 shares through him, he might have had more time.

As to the future prospects of Gillette, Mr. Raj was cautious but optimistic. He had no free samples in his office, and said he hadn't bothered to try the new brown razor on himself.

Perhaps I shouldn't have mentioned that Ms. Hall was anxious to know what Mr. Raj was thinking, but I did. He didn't ask me what Ms. Hall thought. He was more interested in what Diana Temple thought, and wondered if I'd been to see her over at Salomon Brothers.

I made an appointment to see Ms. Temple, which was easy to get after I told a secretary that Mr. Deepak Raj had suggested that I call. Ms. Temple's office was on the usual upper floor of a Water Street high-rise, though she had no view of the harbor.

Ms. Temple is a heavy-set woman who wore pearls, and she looks a bit older than her two colleagues I'd visited. This was more or less-confirmed when she said she'd been in toiletries for 15 years. Ms. Temple also was less ebullient than the others, and I doubted she liked me any more than she liked Gillette.

It wasn't that she disliked Gillette per se, but that she thought the company would "lag the market" in earnings. "I wouldn't say 'sell' here, but the earnings growth will be below average," Ms. Temple said. "White Rain, though, has made some good inroads." Her own earnings estimate of $5.80 a share was higher than Ms. Hall's estimate of $5.60, yet she was cool on the company while Ms. Hall was crazy about it. I found this perplexing.

I brought up Ms. Hall's opinion, but Ms. Temple wasn't really interested. She was more anxious to know what Mr. Raj had been saying. She also mentioned an Alice Beebe Longley at Donaldson, Lufkin, & Jenrette. That's where I headed next.

I checked in with Ms. Longley on the 31st floor. She was as winsome as Ms. Hall, and she had the appealing habit of taking her shoe off and wiggling her toe during the conversation. This put me at ease.

About herself, Ms. Longley mentioned she'd earned a Ph.D. in comparative literature. When I asked what this had to do with being an analyst, she laughed and said, "I used to take poems and analyze them to death." She left a job in academia for the brokerage firm, enticed by the considerable increase in salary she got for analyzing cosmetics companies instead of Dylan Thomas.

About Gillette, Ms. Longley was halfway enthused, calling the stock a "moderate buy." That put her somewhere between Ms. Temple and Ms. Hall, but at this point, I didn't really care. I was caught up in the analysts' intrigue, fascinated with their obvious interest in what their fellow analysts were saying. Now that I'd been dragged into it, I told Ms. Longley that I felt like a messenger on some diplomatic mission. I explained that I'd been moving from office to office, serving as an unpaid spy for Ms. Hall. Why, I wondered, were the analysts of Gillette so anxious to learn each others' opinions, and especially from me?

Ms. Longley kindly took the time to explain everything, beginning with what the analysts really do. They're not at all the statisticians and lonely investigators, poring over the company's books, that one might have supposed. And they don't spend all day writing reports. Meetings and phone calls take up most of their working hours. Ms. Longley said she'd just returned from a visit to Avon. "I get back, sit down, and call everybody

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I know who owns the stock to tell them what I found out. That takes half a day." Meanwhile, her competitors like Mr. Raj or Ms. Temple may also have visited Avon, and they, too, are busily calling up big clients to tell what they've found out. The tricky part is that all the analysts have the same big clients. "I may call a client who just got off the phone with Diana Temple," says Ms. Longley. "I'll hear from the client what Diana has been saying. He might say to me, 'Your earnings estimate is low. Diana's projecting $5.80.' "

This explained their curiosity about each others' opinions. All day they are on the telephone talking to important investors, jockeying for influence. Each wants to have something new to tell the client that outdoes the previous caller. Each wants to be prepared for what's been said about them before they hear it from a client's mouth. Each struggles to be first on the telephone with the slightest nuance, such as an unusual jump in shampoo sales, or some unexpected loss in the razor sector.

As to where they get their information, Ms. Longley said most of it comes straight from company headquarters. Each Gillette analyst calls Boston two, three, even four times a week, to talk to Milton Glass. Mr. Glass is the Gillette vice president in charge of giving Wall Street the latest scoop on the company's progress, projected earnings, etc. After they hang up with him, the analysts quickly phone the big shareholders, hoping to tell them what's happening before the other analysts get through.

Squawking for Munsingwear

I drove up to Boston to meet this Mr. Glass. He was a perfect gentleman, and generous with his time. During a nice chat in his office, he expressed a fatherly affection for the analysts who follow Gillette. Since most of them call him at least once a week and see him in person four times a year at the quarterly meetings, he's gotten to know them as family.

Over a delicious lunch in the executive dining room, I told Mr. Glass my impressions of his analysts, how Ms. Hall of Prudential-Bache was ebullient, Mr. Raj of Merrill Lynch was cautious, and Ms. Temple of Salomon Brothers seemed a little grumpy. He confided that Ms. Temple was in a bit of a personal slump, which might explain her negative mood about Gillette, even though her earnings estimate was high. "Last year, she picked our Body Flowers as the product of the year and it failed. I cautioned her I didn't like the product myself," said Mr. Glass. He was delighted with Ms. Hall's "domestic story," because it presented the same information the others had received but in a more imaginative way.

In a few minutes with Mr. Glass, I began to understand why Wall Street analysts tend to think alike. After all, their earnings estimates for Gillette fell in a very narrow range, with hardly a dime separating the optimists from the pessimists. They get their information from the same source, in this case my host. Mr. Glass was determined to tell all of them the same thing at the same time, so none would be favored.

"Favoring an analyst would be a very serious matter and I don't do it," said Mr. Glass. He reminded me of a college professor overseeing the writing of a term paper. His students, Ms. Hall, Ms. Longley, etc., worked with the same basic material and were expected to come up with the obvious answers, albeit with a few distinguishing flourishes.

In general, an analyst must explain back to the company what it already knows is happening to itself. Excessive flattery, or criticism, or oddball conclusions can ruin the relationship. An analyst with unpopular ideas may, like the fanciful newspaper reporter, be cut off from the source of information on which he or she depends. Mr. Glass said there's no such blackballing at Gillette, where all analysts are treated equally, but I've heard it's a fact of life at many companies. If there's important news from corporate headquarters, the popular analyst may hear it first.

Mr. Glass was so informative that I almost forgot my purpose. It wasn't until dessert and coffee that I remembered to ask him about the stock. If the analysts tell their biggest clients what's what, and Mr. Glass tells the analysts, then I was sitting with the horse's mouth. Trying not to be obvious, I leaned over my coffee cup and whispered, "Maybe you can't say anything due to your position, but do you think I made a good deal at 79 1/4?"

"I don't know," he said rather loudly. "I sold all my shares a couple of months ago at 60." That pretty much closed out our conversation.

Back at Prudential-Bache in New York, I revisited Ms. Hall, informed her of all the above, and spent an afternoon plus an evening hanging around her office and following her around the building. She took me upstairs to a fancy buffet party where new stockbrokers were initiated to the rigors of New York. There was plenty of caviar and little pate sandwiches and as much liquor as we could drink. After that, she let me sit in her cubicle while she made telephone calls.

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Like Ms. Longley, Ms. Hall seemed to do nothing but work 15 hours a day. In the morning, she prepared her presentation on the squawk box, plus she helped plan the upcoming "road show" for Munsingwear. "Road shows" are whirlwind trips around the country where analysts meet local brokers and drum up support for their favorite shares.

To say the primary duty of an analyst is to analyze a stock couldn't be farther from the truth. After spending a few hours with them, I realized that an analyst is first and foremost a salesman. Certainly, sales was the major part of Ms. Hall's preoccupation. Her recommending of Gillette was the easy part of the job. Then she had to go out and stir up demand so the price would increase and fulfill the prophecy.

(Apparently, the analyst has not always been a salesman. Once, the analyst was more like an accountant, but this all changed on May 1, 1975, when fixed commission rates on stocks were abolished. For reasons I'll explain in a minute, the profession was revolutionized. From what I hear, the analysts were turned from introverts into extroverts almost overnight.)

For instance, you may have noticed that it's rare for a brokerage firm to use the word "sell" in any of its recommendations. The word "sell" is very troublesome for the analyst, especially in the role of salesman. "I don't think you'll hear too many 'sells'," Mr. Raj admitted to me. "If we say 'sell' at Merrill Lynch, people accuse us of pulling the plug on the stock."

I read somewhere that the ratio of buy recommendations to sell recommendations is 50 to 1 in favor of the former, and after my research I wasn't surprised. If an analyst cries "sell," he's likely to lose favor with the company and be bumped from a favorable position in the string of phone calls. The various rating systems used by brokerage firms are a form of diplomatic language, similar to the flatteries employed by courtiers to disguise direct criticism. Instead of saying "sell," a brokerage firm is better off saying "hold." "Hold" may be a polite way of advising clients to get out of a stock, without offending corporate bankers and other principals. Some firms use "positive/neutral," in which "neutral" takes the place of "sell," or a numerical ranking system like the one employed at Prudential-Bache.

Actually, I've oversimplified this analyst business just to get us this far. There's a further complication: the buy-side analyst. The big investors employ these buy-side analysts just to interpret what the Nancy Halls, Diana Temples, etc., have been telling them five times a day on the telephone. That I'd only been talking to sell-side analysts is something I discovered halfway through my investigation.

During one of my conversations with Ms. Hall, she told me that the biggest investor in Gillette was Citicorp—with something like 1.6 million shares, which I suppose meant as much to them as my 53 shares meant to me. In fact, what Citicorp might be doing with its 1.6 million shares was of great personal interest. If they decided to dump theirs all at once because some analyst advised them to sell, I assumed it might have a depressing effect on the value of mine.

When I expressed this fear to Ms. Hall, she gave me the name of the person to contact at Citicorp—their buy-side analyst Valerie Molter. That's the first I'd heard of the buy-side analyst.

A walk on the buy side

I called Ms. Molter and recited the string of sell-side analysts I'd already seen, as evidence of my importance. She agreed to meet with me. Soon I found myself on the 23rd floor of Citicorp headquarters on Third Avenue, the building with a piece lopped off the top that appeared in a Superman movie. There was no fancy lobby on Ms. Molter's floor, perhaps because the buy-side doesn't deal with the general public and can forgo the expensive impression. Maybe they'd spent the money on robots. As Molter and I walked back toward her cubicle, I almost tripped over one as it tried to deliver me some mail.

I warmed up to my eventual question about the 1.6 million shares of Gillette by asking about Citicorp's overall portfolio. Ms. Molter said it currently involved about $39 billion, or roughly the gross national product of Greece.

Ms. Molter was an intriguing combination of youthful assurance, argumentativeness, and indifference. I tried to ingratiate myself by telling her what Ms. Temple, Mr. Raj, etc., had been saying. This may have been a mistake. She couldn't have cared less. Not only that, she already knew what they'd been saying. Buy-side analysts are allowed to talk directly to the sell-side. In fact they're supposed to talk to the sell-side. As Ms. Moulter explained it, it's her job to weigh the relative sell-side opinions, to take note of any surprising news and who delivered it, and to rate the enthusiasm and general cooperativeness of the sell-side analysts.

"The sell-side sees only the trees, but it's up to the buy-side to see the forest," Ms. Molter explained. More specifically, she listens to all the

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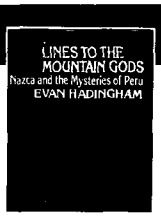

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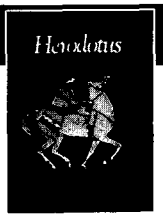

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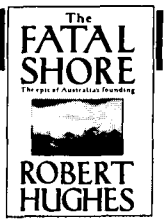

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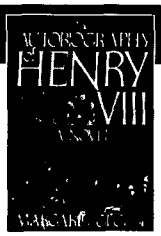

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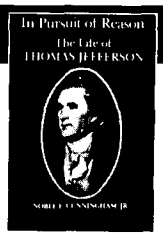

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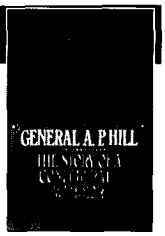

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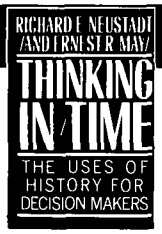

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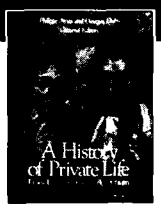

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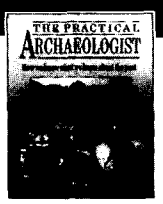

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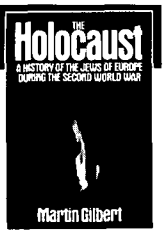

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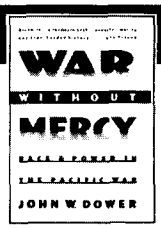

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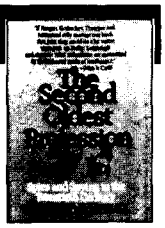

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gossip, the earnings estimates, and the news not only from the cosmetic group, but from automobile analysts, media analysts, dozens of analysts who follow hundreds of stocks. Then she makes recommendations to the Citicorp portfolio managers as to which stocks they should actually buy.

It was comforting to hear that being a stock analyst is a lot like being a journalist. The difference is analysts make $200,000 a year, plus generous bonuses if their stories turn out to be true.

Here was the final clue to the whole analyst mystery, and especially to why Ms. Hall, Ms. Longley, etc., worried so much about pleasing their big clients. Ms. Molter was one of those clients, and she gave them all grades just like high school. It was this grading system that kept the sell-side analysts in constant dread. They worried not only about what grade they'd get from the likes of Ms. Molter, but also about the grades they'd receive from the *Institutional Investor* magazine. I'd already noticed that several analysts had copies of this influential magazine on their desks, especially if they'd made the highest ratings.

Ms. Molter calls the grades "votes." In her firm, she's given 50 votes to divide among all the sell-side analysts. She said she rarely gives out more than five votes to any one person, but might give four, "if they're always around when I need them," or three, "if they call regularly plus do something unusual every once in a while," or two, "if they write decent reports," or one, "for just existing."

"I try never to give a complete zero vote," she said. "Sometimes, I'll give a one vote to an analyst just because he's funny."

What makes these votes so important is that they translate into dollars. This goes back to what I mentioned earlier, the day in 1975 that fixed commision rates were abolished. If Ms. Hall, for instance, gets a good grade from Ms. Molter at Citicorp, it means that Citicorp will purchase more stock through Ms. Hall's firm, Prudential-Bache. Prudential-Bache will get a bigger commission and Ms. Hall will get a sizable bonus. If Ms. Hall gets a bad grade, then both she and her firm will suffer.

No wonder so many of the sell-side analysts were gregarious, well-spoken, beautiful, diplomatic; and not at all the back-room types I had imagined. No wonder they spend so much time courting the big clients on the phone. They're constantly fighting for grades. The only way average investors could compete for their attention is if we sent out report cards ourselves.

Ms. Molter didn't say so directly, but of all the Gillette analysts, I sensed that she favored Ms. Temple of Salomon Brothers. She praised Ms. Temple so enthusiastically that I'd bet Ms. Temple got a lot of her votes. That Ms. Temple had a lukewarm opinion on Gillette should have prepared me for the disturbing news.

When finally I revealed to Ms. Molter that her firm and I had something in common—their 1.6 million shares to my 53—she confided that Citicorp portfolio managers had been dumping the stock at a rapid rate and had reduced their holdings to less than 600,000 shares. Maybe 53 of theirs had ended up with me.

"Wiser than trusting in oracles," as Euripides said, "is to be friends with the gods." For some reason, I quoted this to Ms. Molter, which was a mistake. After that, she didn't seen so anxious to refer me to any portfolio manager at her institution, and claimed that all the best ones were either sick or out of town. Anyway, since Gillette had gone up four points and her Citicorp had been selling, I knew somebody equally big must have been buying and it would be nice to talk to them. Ms. Molter kindly gave me the name of Ed Platt, a friend of hers who was a portfolio manager at Bankers Trust.

Investing willy-nilly

Bankers Trust is located in a mid-town building, around Park Avenue and not far from Grand Central Station. I met Mr. Platt in a conference room, and gave him Ms. Molter's regards. If you put him in a crowd of people and asked me to pick him out today, I'd fail, so there's no point in my pretending to recall his appearance. I'm sure he was dressed in a sensible suit. I remember he said he was 40 years old, lived in Westchester, had a nice family, got his undergraduate degree from Cornell, came to Bankers Trust from Marine Midland, and had

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$150 million in pension fund money under his control. He also mentioned he was an unusual portfolio manager because he not only chose where to invest, but also did some of the analytical legwork usually charged to someone like Ms. Molter.

I said I'd love to be in his shoes—with all that intelligence behind you how could you lose? Mr. Platt laughed. Then he confided that the portfolio manager is on shaky footing and must look over his shoulder at the other portfolio managers, plus stay awake nights worrying if he's going to lose his job. In fact, the dozen or so portfolio managers at Bankers Trust had made a recent pact to all buy the same stocks, so nobody would look bad compared to the others, thus avoiding what Mr. Platt called "diverse performance."

"Our agreement works this way," he said, "I hear from all my sources, make a recommendation on what stocks to purchase, then write it up. The other portfolio managers do the same. Then we get together and vote on our recommendations. Basically, whatever is approved we put in all our portfolios."

You'd think a portfolio manager would welcome diverse performance, but Mr. Platt convinced me they'd gladly forgo the chance for relative glory in return for reasonable job security. They'd rather go up and down together for the following good reasons: "If a client hears that another portfolio manager did better than me during the last quarter, then he might consider switching to that other manager. Clients demand results, and results is what they pay us for."

As I got further into Mr. Platt's obvious worries about his competition and about quarterly results, I began to wonder if the average investor for all his ignorance isn't better off than these gods of the marketplace. Instead of the conquering ego I'd expected to meet, I got the feeling that Mr. Platt was just as nervous as the rest of us, and often forced by circumstance into following the crowd. In fact, he'd said so much about the foibles of portfolio managing that by the time he told me he wasn't buying Gillette I was almost glad.

That was after he mentioned that "portfolio managers have a hard time beating the market averages." I could hardly believe he'd said it. Did he mean that all these layers of experts didn't get any better results overall than the broad group of ignoramuses out there, investing willy-nilly? Not only did he mean it, but he was right.

I tried to step back and consider this logically. Here were the sell-side analysts earning $150,000 and up, depending on their grades, for recommendations that had to be reviewed by the buy-side analysts who earned as much or more. Then the recommendations of buy-side analysts again were reviewed by portfolio managers, who earned an even greater amount to make insecure decisions, the consequences of which they avoided by acting only in concert. In the end, none of this did any good, and most of them failed to beat the market average.

I discussed the matter with Mr. Platt and others, and got several charitable explanations. One is that since the general public no longer buys much stock, the big institutions compete against themselves and can't possibly beat each other at the same game. Another is that portfolio managers are judged every three months and can't afford to take chances. Michael Lipper, an expert on mutual funds I had visited earlier, had mentioned that "most of the large chunks of money are managed by people who think alike, who are trained in the same places, and who serve clients who want to hear the same sort of things." This so-called "group think," he said, caused many managers to adopt the identical strategy. In this way, many portfolio managers tried to be average.

I did further research, and in a recent *Wall Street Journal* discovered that most bond portfolio managers consistently failed to beat their market averages. Similarly, *Business Week* did a cover story on how the managers of stock portfolios hadn't beaten the market averages for three years in a row, with the majority doing much worse than the norm.

I had a suggestion for all the institutions. Fire the analysts and portfolio managers and invest in the market as a whole. That would save a lot of trouble, not to mention the millions in salaries and commissions that now are thrown at a lost cause. There are mutual funds that already do this. These funds simply buy all the stocks on the S&P 100 list, or all the stocks that make up the Dow Jones industrials, or all the bonds in the various bond indexes, and they've equaled the market average by definition. These results are as good or better than what most investors, large and small, are paying extra money for.

Whether it makes sense to get out of an existing mutual fund and into one that simply buys market averages is something you'll have to decide. What I got out of my trip to Bankers Trust was an appreciation for the portfolio manager, who has a difficult job. That Mr. Platt worried about equaling the averages, made me feel better about my own record—which so far has been nothing to brag about. □

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George Shultz, *Wimp*

by Robert Goolrick

Meet George Shultz, man of integrity. "I believe the real heroes are people who speak up to their president, make their views known, are willing to take great personal risk in confronting their president," said Senator Warren Rudman, vice chairman of the Senate Iran-contra committee. "You are such a hero, Mr. Secretary." Rep. Jack Brooks praised Shultz for "integrity and honesty that has been sorely lacking in our other witnesses." Shultz agreed with the assessment, arguing that he was forcefully fighting to make his views known.

You might be confusing him with the George Shultz who, according to the Senate Intelligence Committee, "wrote himself out of the Iran operation" after his position didn't prevail. Or the one the Tower Commission said "specifically requested to be informed only as necessary to perform his job." Or the one who failed to say a word when his assistant secretary, Elliott Abrams, misled Congress about State Department solicitation of contra money from third countries.

Yes, Shultz is a bit of an enigma. He occasionally has taken strong, even courageous, stands. When he was secretary of the treasury under Nixon he tried to shield the IRS from White House pressure. But more often he has exhibited a somewhat warped sense of when to hold up and when to fold up.

For example, although Shultz did not resign over the arms-for-hostages policy, he threatened to quit over relatively minor issues: the administration's lie detector policy, the president's sending Robert McFarlane on a mission without Shultz's knowledge, and his being denied the use of a plane.

In fact, Shultz has a history of crying resignation at the oddest times. In the 1960s, when he was dean of the University of Chicago Business School, Shultz barred antiwar protesters from using loudspeakers during a rally. When the president of the university overruled him, Shultz did the only honorable thing— he threatened resignation, until officials begged him to stay.

If there remains any doubt that Shultz holds an inverted view of when to do the "honorable" thing, there is one more example from the past: the notorious "ITT affair" when Shultz served as director of the Office of Management and Budget in the Nixon administration in 1971. Richard McLaren, the Justice Department's antitrust chief, was pressing antitrust cases against several conglomerates, most notably International Telephone and Telegraph. The company frenetically lobbied the Nixon administration to jettison McLaren. Although ITT convinced several influential Nixon aides, including John Ehrlichman, the domestic policy adviser, McLaren continued to forge ahead. His immediate superior, Deputy Attorney General Richard Kleindienst, caught in a tug-of-war between McLaren and Ehrlichman, was paralyzed by indecision.

The matter came to a head on April 19, 1971 when Ehrlichman learned that McLaren intended to appeal to the Supreme Court a recent federal district court ruling on one ITT suit. Ehrlichman telephoned Kleindienst with directions to drop the case. Kleindienst demurred, pleading that McLaren had already filed the appeal notice and it was too late to stop.

Ehrlichman stormed directly to the Oval Office, where Nixon was meeting with George Shultz. Nixon telephoned Kleindienst; his message, as captured by his taping system, was not subtle:

Nixon: I want something clearly understood, and, if it is not understood, McLaren's ass is to be out within one hour. The IT-and-T thing— stay the hell out of it. Is that clear? That's an order.

Kleindienst: Well, you mean the order is to—

Nixon: The order is to leave the goddamned thing alone. Now, I've said this, Dick, a number of times, and you fellows apparently don't get the message over there. I do not want McLaren to run around prosecuting people, raising hell about conglomerates, stirring things up at this point. Now, you keep him the hell out of that. Is that clear?

Robert Goolrick is a Washington attorney. He is the author of Public Policy Toward Corporate Growth: The ITT Antitrust Cases.

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Kleindienst: Well, Mr. President—

Nixon: Or either he resigns. I'd rather have him out anyway. I don't like the son-of-a-bitch.

Kleindienst: That brief has to be filed tomorrow.

Nixon: That's right. Don't file the brief.

Kleindienst: Your order is not to file a brief?

Nixon: My order is to drop the goddamn thing. Is that clear?

Kleindienst: Yeah, I understand that.

Nixon's directive was overheard, of course, by Ehrlichman who had precipitated the call. The tapes also show George Shultz was in the room during the telephone conversation. In fact, after Nixon completed his order to Kleindienst, Shultz chimed in that he was preparing a speech refuting arguments that there had been an increase in monopolies. In an odd, speaking-for-the-record tone, Shultz mentioned that, of course, he "would be the last to say we should not continue to pursue the antitrust laws in the proper way." But, in a comment he must have hoped wouldn't see the light of day, Shultz quickly added, "the conglomerates have taken a bum rap."

"It's sad, believe me missy, when you're born to be a sissy."

Soon thereafter, McLaren reached a settlement with ITT and the campaign against conglomerate corporate mergers ended.

A year later columnist Jack Anderson published evidence—contained in the infamous 'Dita Beard' memo—suggesting a connection between the ITT antitrust settlement and a substantial financial contribution made by ITT to the upcoming Republican national convention fund.

Anderson's disclosure came as the Senate Judiciary Committee was considering the nomination of Kleindienst as attorney general to succeed John Mitchell, who was leaving to manage Nixon's reelection campaign. Kleindienst told the committee that McLaren had arranged settlement of the ITT cases on his own, with no political pressure from anyone. Asked if Nixon had played any role in the cases, Kleindienst assured the committee the president had not. Mitchell echoed Kleindienst's statements, although he knew they were false.

Nixon's role in the ITT case was covered up until after the election. For this he was indebted to Kleindienst and Mitchell, who had lied to protect him, Ehrlichman, who had assisted the cover-up, and George Shultz, who had refrained from reporting it. When Kleindienst and Mitchell lied to the Judiciary Committee, Shultz didn't step forward to correct the record. And he certainly didn't resign over it.

In 1974, Watergate investigators exposed the ITT cover-up. The Watergate special prosecutor proposed charging Kleindienst with perjury for lying to the Senate Judiciary Committee about Nixon's role in the case; after plea-bargaining, Kleindienst pleaded guilty to reduced charges. And Nixon's silent acquiescence to Kleindienst's false testimony was cited in one of the articles of impeachment approved by the House Judiciary Committee. The committee summed up the case: "Kleindienst and former Attorney General John Mitchell gave false testimony regarding the president's involvement in the ITT antitrust cases. Clearly Kliendienst and Mitchell were protecting the president. The president followed Kleindienst's confirmation hearings closely, but took no steps to correct the false testimony and continued to endorse Kleindienst's appointment."

Of those who lied or knew of the lies, only George Shultz's reputation emerged unscathed. Like Nixon, Shultz silently accepted false testimony without protest.

Shultz has always been a team player. Had he not been, he probably never would have been Nixon's secretary of the treasury. Sixteen years later, his conduct in the Iran-contra affair shows he still has a strange notion of just when to take a stand. □

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TIDBITS AND OUTRAGES

"STICK WITH BUFFETS. YOUR MEMBERS WILL APPRECIATE THE FREEDOM OF CHOICE."

Dozens of seminars are planned for the Libertarian party's convention in Seattle including "Establishing Property Rights in Space," "Complete and Immediate Separation of Government and the Schools," and "How to Run a Successful Supper Club."

"CONGRESS WILL APPROVE THE COLA, CONGRESS WILL APPROVE THE COLA," THE VOICE ADDED.

The federal Office of Personnel Management has canceled a training course for senior civil servants on "stress management." As part of the seminar, the civil servants were played tapes with subliminal messages, including "I am calm" and "Mommy and I are one."

LAMA MAMA

A recent ad for Esprit jeans features a woman described as "Cara Schanache, Berkely, California. Age 28. English Literature Student, Part-time Waitress, Anti-Racism Activist, Beginning Windsurfer, Friend of the Dalai Lama."

NO

In a recent personal ad in *The Village Voice*, a man looking for a mate described himself as "Newyorkaholic, post-punk professional, part-time book worm, easily excited by mind-expanding prose, propulsive music and occasionally ritualistic party scenes. Can I buy you a drink?"

"WHILE WE ADMIRE HIS SKILLS AS A LEGISLATOR AND HIS COURAGEOUS SUPPORT OF INTERNATIONAL MONETARY REFORM, WE WERE DISAPPOINTED BY REP. KEMP'S ANSWER ON PART III OF THE SPATIAL RELATIONS EXAM..."

Albert R. Hunt, Washington Bureau Chief of *The Wall Street Journal* has written a letter to the presidential candidates asking them, among other things, their I.Q.

LIFTING THE TAX WOULD BREAK THE CYCLE OF POVERTY AND END A LIFETIME OF DESPAIR FOR THOSE WHO HUNGER FOR THE OPPORTUNITY TO BE A CHAUFFEUR.

Officials of the British-American chamber of commerce have asked to have Rolls Royce Motor Cars Inc. exempted from a U.S. tax on gas guzzlers.

BIG TIPPER

Retired House Speaker Thomas P. O'Neill, Jr. has spent $200,000 from his idle campaign treasury on food and entertainment, including $2,075 at Brennan's Restaurant in New Orleans and $700 on Super Bowl tickets.

WE'RE A CLEAN BUSINESS, THIS WAS JUST A FEW ROTTEN APPLES.

In August, the New York City Department of Health released a list of food establishments cited for violating the health code. Included were the Bear, Stearns & Company executive dining room, and the Salomon Brothers cafeteria.

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WHO'S WHO in the Administration

Donald Regan emerged from the Iran-contra hearings as a charming innocent. This is somewhat at odds with the impression of those who knew him well at the White House or on Wall Street. As we pointed out in January, it is very hard to believe that Regan would have forced **Robert McFarlane** out for not having kept Regan informed and then been obliviously indifferent to similar sins by **John Poindexter**....

In our January issue, we also predicted—in "Tilting at Windmills"—that **Ronald Reagan**'s administration would have problems in its last two years because "even its most dedicated members start casting an eye to the future and to worry less about their work and more about polishing their resumes and calling old friends to see what might be available for them on the outside." **Margaret Tutwiler**, one of **James Baker**'s closest aides, put it this way during an interview this summer: "It's not a massive 'Let's get out of here,' but all of us know the clock is ticking."...

Michael Deaver deserves much of the blame he receives but not all that the conservatives try to pin on him. The right-wingers see Deaver as a clean-shaven Rasputin whose hold on **Nancy Reagan** enables him to continue to influence the administration from the defendant's dock. The latest example is the nomination of **C. William Verity** to replace the late **Malcolm Baldrige** as secretary of commerce. Conservatives, who don't like Verity because he is a strong advocate of Soviet-American trade, contend that **Armand Hammer**, who is famed for having similar views, urged Verity on Deaver, who urged him on Nancy, who urged him on the president....

When **Frank Carlucci** took over the National Security Council, the general impression was that he was going to rein things in and lead the council to a more modest role in foreign affairs. But since he arrived, the council's staff has not decreased but grown—from 62 to 67—and Carlucci has been acting as if he's the secretary of state, meeting with foreign ambassadors in Washington and with heads of state abroad. On a recent trip to Europe, Carlucci met with Chancellor **Helmut Kohl** in West Germany, Prime Minister **Margaret Thatcher** in England, and President **Francois Mitterand** in France. **George Shultz** is fuming....

Shultz is also upset about the resignation of **Philip Habib** as special envoy to Central America. It was a defeat for Shultz. Habib, backed by the secretary, had called for immediate and direct U.S. participation in the Latin American peace initiative, while Carlucci opposed it. After Carlucci won the debate, Habib resigned....

A democratic fundraiser with connections to House Speaker **Jim Wright** is said to be among those being investigated by a Justice Department task force looking into Texas thrift institutions and real estate developers. **Thomas Gaubert**, a real estate developer and former owner of a Texas savings and loan, contributed $7,000 to two political committees backing Wright in 1985 and was finance co-chairman of the Democratic Congressional Campaign Committee. When Gaubert was investigated previously by the Federal Home Loan Bank Board, Wright reportedly asked the board's chairman to meet with Gaubert. Wright also is said to be responsible for the postponement and eventual cancellation of a congressional hearing regarding the board's report on Texas Savings and Loans....

Norman F. Lent, a congressman from New York, serves on the House committee that oversees the telecommunications industry. His wife, **Barbara Morris**, is a lobbyist for Nynex, a large telecommunications company....

In—*White House:* Special Assistant to the President and Deputy Press Secretary—**B. Jay Cooper.** Chief Financial Officer for the Federal Government, Office of Management and Budget—**Gerald R. Riso.** *Defense:* Secretary for Reserve Affairs—**Stephen M. Duncan.** *Education*: Undersecretary—**Linus D. Wright.** *Health and Human Services:* Deputy Assistant Secretary for Population Affairs—**Nabers Cabaniss.** *State*: Ambassador to Austria—**Henry Anatole Grunwald.** *Treasury:* Assistant Secretary for Legislative Affairs—**John Meagher.** *Agencies and Commissions: President* and Chief Operating Officer, Federal National Mortgage Association—**Roger E. Birk.**

Out—*White House*: Special Envoy for Central America—**Philip Habib**. General Counsel, Office of Management and Budget—**John H. Carley**. *Defense:* Assistant Secretary for Public Affairs—**Robert B. Sims.** Assistant Secretary for Command, Control Communications and Intelligence—**Donald C. Latham.** *Agencies and Commissions*: Director, Arms Control and Disarmament Agency—**Kenneth L. Adelman.** President and Chief Operating Officer, Federal National Mortgage Association—**Frank V. Cahouet.**

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At *The Washington Times*, it's better than you might think

Moonie Journalism

by Tom McNichol

Last November, an unusual thing happened to *The Washington Times*, no stranger to the unusual. In an exclusive interview, French Prime Minister Jacques Chirac told the *Times*'s editor-in-chief, Arnaud de Borchgrave, that West German leaders believed a purported plot to blow up an Israeli airliner the previous April had been faked by Israel's secret service to implicate Syrian President Hafez al-Assad.

That *The Washington Times* broke a major story wasn't news. It had beaten the pack on stories such as Frank Carlucci's appointment to the National Security Council, James Watt's resignation, and Senator Paul Laxalt's secret mission to the Philippines in 1985. Nor was it unusual that the *Times* interview produced an international flap, causing an uproar in France where it became known as "l'affaire Chirac." An exclusive interview with imprisoned South African black leader Nelson Mandela in August 1985 had received world-wide notice. What was unusual was the way it was covered by *The New York Times*. The newspaper of record published Chirac's charges, credited *The Washington Times*, and managed to avoid a single mention of the Rev. Sung Myung Moon or the Unification Church. For the *The Washington Times*, it was something of a breakthrough.

Since it was founded in 1982, the paper has spent nearly as much time explaining its ownership as it has chasing down stories. As *Times* officials are fond of saying, at least once every five minutes in the presence of any outside reporter, the paper is owned, not by the Unification Church itself but by News World Communications, a for-profit holding company owned by church officials. But in its efforts to bury the ownership controversy, scoop by journalistic scoop, the *Times* has found that the job might be done better with a 10-ton earth mover. Unlike most organizations associated with funding a major daily newspaper, the Unification Church has been accused of brainwashing its followers, aiding the Korean CIA, and trying to establish a world-wide theocracy. The Sulzbergers and Grahams may have skeletons in their closets, but you don't see them marrying off their progeny in Madison Square Garden.

Yet, the Chirac scoop and many others like it are helping to shift the public focus from the *Times*'s ownership to its performance, and by that standard the *Times* is a pretty good paper. By being the conservative paper under a conservative administration, it has scored its share of exclusives. President Reagan calls it his favorite paper which should say something about both the paper's conservative tilt and its colorful easy-to-read format. And with thorough local coverage, this unabashedly conservative Korean-owned paper is stealing black readers from the more liberal *Washington Post*. All said, the *Times* is well worth the quarter.

The Moon and the Star

While many Unification Church papers, particularly *The New York City Tribune*, are dressed-up propaganda sheets produced almost exclusively by church followers, the *Times*'s reporters are mostly professional journalists, though a few Moonie holdovers from the paper's earlier days remain in the newsroom.

Very early in the game, the Koreans got the word that the best way to influence public opinion was to have their paper resemble everyone

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The *Times* is trying to bury its Moonie image scoop by journalistic scoop. Its exclusive interview with imprisoned South African black leader Nelson Mandela made headlines around the world.

else's. Neither the newspaper nor its headquarters look out of the ordinary. (Indeed, if you were to visit the *Times*'s building and then *USA Today*'s lobby, which is dominated by a huge bust of owner Allen Neuharth, you would have a tough time deciding which one was owned by a cult leader.) When *The Washington Times* was launched in May 1982 it could draw from a ready pool of reporters who had been laid off when *The Washington Star* folded the year before. "In the early days, we used to say that the *Star* was alive and living on New York Avenue," recalls Wesley Pruden, now *Times* managing editor. Even today, there's more *Star* than Moon in *The Washington Times*. Not only are many of the *Star* alums conservative, like their bosses, but they also share an almost pathological hatred of the *Post*, the liberal nemesis that put them on the street and lacked the good sense to offer them jobs.

At first, the *Times* was a cranky underdog, scarcely running an issue without a dig at the Evil Empire on 15th Street. For instance, in 1984, when the *Post* prominently mentioned the *Times* in a series on the Unification Church, the *Times* quickly countered with its own "investigative" series, "Inside the *Post*." The series was mostly cocktail party back-biting accompanied by a crude drawing of a feeding shark, by the daughter of *Times* Executive editor Smith Hempstone.

Such snarling has yet to hurt the *Post*, whose 796,000 circulation is roughly eight times that of the *Times*. On Sundays, the *Post* is read by an incredible 78 percent of the Washington area, the highest "penetration" in the country; the *Times* doesn't even publish on weekends. More importantly, the *Post*'s lead in annual advertising revenue ($473 million to $4.2 million) makes it practically invincible.

Yet in recent years, particularly since the arrival of de Borchgrave, the *Times* has gone after the *Post* with dogged reporting. "The way to sting the *Post*," says de Borchgrave, formerly of *Newsweek*, "is to get stories they want, and get them in the paper before they get them in theirs." The paper's scoops are all the more remarkable since the *Times*'s 230-member staff is less than half that of the *Post*.

It's no coincidence that the *Times*'s strong suits include de Borchgrave's primary areas of interest—foreign policy and intelligence. The paper seems to have cultivated a number of spooks who leak to reporters they undoubtedly consider friendly. Several times it has paid off with a big story, notably the defection of KGB official Vitaly Dzurtchenko. Such chumminess with conservative sources has its drawbacks for the *Times*—not everyone leaks straight. Misled by intelligence sources, the *Times* reported that Muammar Qaddafi had fled to Yemen after the U.S. bombing raid when, it turns out, he was still in Libya.

Connections to the conservative establishment make the *Times* a ready forum for policy battles. One of the best ways conservatives have found to press their own agenda is to leak a story to the *Times* as a sort of pre-emptive strike. In September, for instance, hawks opposed to the nomination of Paul Nitze to head the Arms Control and Disarmament Agency, leaked the story that he had been chosen over the even more hard-line Army Lt. General Edward Rowny. While the *Post* carried no story on the fight to fill this slot, the *Times* ran it as their lead article. Brimming with quotes from unnamed conservatives in Congress and the administration, it read like a legal brief against Nitze's nomination.

Just as the *Times* has cultivated conservatives in Washington, it has managed to tap contacts in right-wing governments abroad. Its exclusive interview with Nelson Mandela, for example, would have been impossible without the cooperation of the South African government, which clearly had reason to believe that the *Times* would cast them in the best possible light. (Indeed, the *Times* made prominent note of Mandela's state-

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ment that, faced with the choice, he would prefer communism to apartheid.) And its coverage of the South African government from correspondent Peter Younghusband has been particularly good. While many papers cover the Botha government as a monolithic impediment to social change, Younghusband more accurately covers it as a squawking and fractionalized impediment to social change.

The federal bureaucracy, a beat often given short shrift at the *Post*, has been taken seriously by the *Times*. To lead the charge, the *Times* hired someone who really knew it, Mark Tapscott, assistant director of public affairs at the Office of Personnel Management under Reagan. Tapscott has broken several important stories on the machinations of NASA and Morton-Thiokol both before and after the space shuttle disaster.

Even when the *Times* is wrong, it can be an important player in Washington. That was certainly the case last July when the chairman of the Iran-contra committee, Senator Daniel Inouye, appeared on "Face the Nation." Inouye said that the committee held possession of a memo suggesting that the president had been briefed on the diversion of Iranian arms sales profits for covert activities. Moderator Leslie Stahl followed up by asking whether the memo constituted a smoking gun. The *Times*, putting the two together in its own way, ran a headline the next day: "Committee Holds 'a Smoking Gun,' Chairman Reveals."

This overstatement might have been unimportant, if not for the fact that the president himself was seemingly misled by the *Times*'s accounts. According to one administration official, quoted in *The Washington Post*, Reagan became disturbed when he read a headline in his favorite paper, the *Times*, saying that the joint committee held a "Smoking Gun."

Black & white and read all over

While it may come as no surprise that the conservative *Times* is attracting conservative readers, the rest of its audience is less predictable—46 percent of its readership is black. In part, this stems from strong anti-*Post* sentiment. For years, many of the city's black leaders have charged the *Post* with unfair coverage and undue neglect. Last autumn, the complaints became more pointed when the debut issue of the newly revamped and much-ballyhooed *Washington Post Magazine* featured two articles that outraged many blacks. One was the cover story about a black rap singer accused of murder; the other, a piece by *Post* columnist Richard Cohen that seemed to side with local shopkeepers who refused to admit young, black males because they are statistically more likely to shoplift. Within a week of its debut, a coalition of black organizations staged what would be a three-month long protest against the *Post*, dumping copies of the magazine on the doorstep of the paper's office building every Sunday afternoon.

It was certainly not the first time that a "white" paper in a city with concentrations of minorities had come under fire. (*The Miami Herald*, for instance, has been excoriated by Miami Cuban-Americans.) But the charges were unusually fierce and the racism label was especially painful for the *Post*'s editors, who had prided themselves as the city's liberal conscience. *Post* Executive Editor Ben Bradlee and Publisher Donald Graham have since made several public displays of contrition. Editorially, their paper has run a spate of black "success" stories so light they nearly floated off the page, such as the magazine cover story, "A Joyful Noise," about a black church choir.

Finally, the *Times* appeals to blacks by being a hard-nosed city paper. Their coverage of municipal corruption is typical. (Several of Mayor Marion Barry's top aides are in jail, and while Barry himself has not been formally charged with any crime, he has had to deny a host of accusations, including graft, drug abuse, and a relationship with a convicted drug dealer.) The *Times* not the *Post* has been the real muckracker. Five days passed before the *Post* got around to covering a *Times* story that the associate director of the D.C. Office of Human Rights had been fired after mental health officials dubbed him "dangerous" and "incapacitated."

On the Barry scandal, the *Times* was first to report a rift between the FBI and the U.S. Attorney's office in pursuing the case and possible racketeering charges against members of the Barry administration. Even on less subtantive, but juicier, sidelights to the Barry story, the kind of gossip that is the *Post*'s trademark, the *Times* has fared better, for instance beating the *Post* by days on the mayor's strange visit to the apartment of a young part-time model, Grace Shell. This past summer, the *Post* unofficially recognized the the *Times*'s clout when a *Post* night editor on the metro desk called over to ask that a copy of *Times* be delivered upon publication.

According to market research, uncluttered layout and color appeal to a wide range of readers, blacks among them. Also, the *Times* has revived a dying tradition in many American cities—hiring young hawkers to sell copies of the

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paper at the city's downtown subway stations. The fact that nearly every hawker is black may reinforce the perception that the *Times* is a "black" paper.

Editor de Borchgrave says one of his first mandates as editor was to find more stories about blacks, and he clearly isn't losing any sleep over the *Post*'s well-publicized problems with the black community. "What is it that I kept reading in *The Washington Post* about the blacks is that they shoot their veins all the time," says de Borchgrave.

But the *Times*'s courtship of blacks does, occasionally, have a pandering tone, such as when it sent a reporter to Martha's Vineyard for a prominent feature on where the "black elite meet." In its desire to expand circulation it occasionally put aside even strongly held beliefs. Last winter, the paper printed a special section honoring Martin Luther King's birthday, even though the paper's opinion pages were at best cool to the idea of a holiday for King. Meanwhile, blacks in the Reagan administration get big play. De Borchgrave said he has "called my friends in the administration and said as soon as a black gets promoted somewhere, gets an important job in the bureaucracy, I want to know about it." That must keep his phone ringing off the hook.

"[The *Times*] is making a conscious effort to plug into the black community," says Cathy Hughes, a black broadcaster who spearheaded the protest against the *Post* last fall. "Now whether or not they'll be successful I think is another thing. I think some of their columnists will have black readers running away quicker than they can recruit them."

Take Lawrence Wade, a black columnist at the *Times*, and a sort of hyper-conservative balance to the *Post*'s William Raspberry. On issues such as welfare, minority hiring, and Martin Luther King Jr.'s place in history, Wade's views are not very different from those shared by most white country club conservatives. But Wade gets to validate his remarks by writing, "and I'm black, too," a phrase which he inserts into his copy with revealing regularity.

The *Times* isn't all conservatives and corruption. Its sports section, while usually not as wide-ranging as the *Post*'s, is often more thorough. Its coverage of the Redskins is particularly strong, an important factor considering that the Redskins boast more public support than any political candidate in Washington. When the *Post*'s sports section came out with a prominently played story this past summer saying that former quarterback Joe Theismann had a drinking problem, the *Times* didn't hop on the bandwagon, so to speak. The restraint paid off—the drinking story turned out to be largely the joint effort of a *Post* reporter a bit too eager to break a story and of Joe Theismann, a bit too eager to sell his recently published autobiography.

Because syndication companies favor the *Post*'s big circulation and better name, the *Times* misses first-run conservative columnists such as William Buckley, and first-run comics such as Bloom County. The paper is forced to make due with Hazel, Heathcliff, and Ben Wattenberg. But the *Times* has tried hard to give its pages life. On Labor Day, the Metro and Business sections expanded, given their own front "faces" (previously, the sections had been buried inside the paper). The paper's "Weekend" section was moved to Thursday, beating the *Post* by a day, and an expanded TV section debuted in July. Marketing research by White House pollster Richard Wirthlin convinced the *Times* to spruce up its graphics and cut down on jumps (continued on...) for stories. In contrast to the great, grey *Post*, the *Times* makes liberal use of color, probably the only thing it does liberally.

Pooh-pooh

The ongoing question at the *Times*, of course, is what about the Moonies. In 1984, editor Jim Whalen quit over what he called church influence. Last April editorial page editor William Cheshire and four colleagues resigned with similar complaints. Cheshire maintains that de Borchgrave, acting on behalf of the owners, pressured him to kill an editorial critical of the South Korean government. In what has become a familiar pattern, those still at the *Times* say it's a matter of a disgruntled employee crying "Moon"; those no longer at the *Times* say its a matter of disgruntled Moonies crying for tighter control of their paper.

While it is impossible to know precisely what control the Moonie owners have, it's clear that most of the editors don't need their arms twisted. They're conservatives, like de Borchgrave, whose best-selling novel *The Spike* was a good-natured look at the Soviet manipulation of the American media. His views are simpatico with those of Colonel Hi Bo Pak, the chief executive officer of the *Times*'s holding company, and a man who has loftier ambitions than conquering suburban markets. As he told *Conservative Digest*: Reverend Moon "would like to liberate Moscow by the year 2000."

While acknowledging that their stories are right-leaning, *Times* editors insist that they are

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not unfair. "We don't 'cook' stories here," says managing editor Pruden. "But when there's an opportunity to present a conservative perspective on an issue that you won't see anywhere else, we'll do that."

Pruden's protestations notwithstanding, its fair to say that the *Times* leans at least as sharply to the right as conservatives accuse the *Post* of leaning to the left. Take its Soviet coverage. The *Times* rarely passes up an opportunity to jam its editorial fingers into the eye sockets of the Evil Empire (the one headed by Mikhail Gorbachev, not Ben Bradlee). Soviet life is, of course, a rather juicy target, but the *Times* is not above taking a cheap shot. A recent editorial, headlined "Love Among the Tractors," ridiculed what the *Times* said is an "abysmal ignorance" among the Soviets about sex. Of late, the most ridiculous Russian word for the *Times* is "glasnost." When the term first surfaced in the national press, the *Times* went out of its way to pooh-pooh the notion that the Soviets are capable of change—glasnost was nothing but a smokescreen. As evidence mounted that Gorbachev's reforms were at least as substantive as any seen recently, the *Times* regrouped. By June 18, the *Times* had covered itself with a story which began: "A senior administration official reports mounting opposition to Mikhail Gorbachev's 'glasnost' reform campaign and predicts that if the Soviet leader persists in his efforts, he will be out within two years." The *Times* verdict: glasnost is a fake; even if it's not, it won't last. As if that hadn't covered all the bases, an item later in the month declared that a semantic engineer had determined that the correct translation for "glasnost" is not "openness" but instead "ballyhoo."

And the *Times*'s headlines seem calculated to make the right-wing salivate. Often, they're as biased as any from William Randolph Hearst's *Journal American*. When Robert McFarlane disputed key points of Oliver North's testimony, the *Times* instead focused on the protests of North's lawyer, Brendan Sullivan, a sideshow to the main event. The *Times*'s headline—"North's lawyer slams Inouye's personal slurs"—not only missed the story but telegraphed its bias. Serious journalists at the *Times*, who have to suffer the Moonie stigma, could only roll their eyes.

The *Times* is at its crankiest in the Commentary section, not just an op-ed page but a full pull-out section each day. It's the section that is said to be read regularly by President Reagan, and most of it must comfort him. While the *Times* should get credit for devoting so much space to commentary, the chief weakness of the section continues to be its utter lack of dramatic tension. *Times* columnists never seem to have a problem reaching a consensus—everyone seems to agree with everyone else. Best among the section's regular heavyweights is Warren Brookes, a *Detroit News* economics columnist. His relentless coverage of House Speaker Jim Wright's support of overextended Texas savings and loans—dubbed "S&Leaze-gate"—was particularly strong.

However, a special commendation must go to *Times* staff columnist and resident bomb-thrower John Lofton, a frequent "Nightline" guest who has refined liberal-bashing into something resembling an art, for those who feel that pulling the wings off of flies resembles an art. A number of his victims not only get dismembered in his columns but receive personal letters, written in black magic marker in a strange calligraphic hand.

It's difficult to reflect on Lofton's prodigious thrice-weekly output and pull out a truly representative excerpt of Loftonia, but for my money his best sentence appeared in a column earlier this year about U.S. corporations trading with the Soviet Union: "So, while the Soviets push dope to destroy virtually every pillar of American society, these American businesses, and many others, are doing everything they can to strengthen the economy of the nation that is trying to murder us." This sort of thinking saves a lot of worrying about treaty verification.

Fat wad

Where the Unification Church clearly reenters the story of *The Washington Times* is in talk of the future of the paper. Already the owners have spilled twice as much red ink as Time Inc. did in its unsuccessful effort to save the floundering *Washington Star* in its last days. The numbers are virtually without precedent in journalism, except perhaps for *USA Today*, which has recently crept into the black. Since launch, the *Times* has cost its parent company, News World Communications, between $200 and $250 million. And other publications within the company are vying for limited funds. In fiscal 1987-88, the company will blow $30 million on *Insight*, a national weekly newsmagazine. *The World & I*, a glossy journal of opinion which often runs an encyclopedic 700 pages will cost $15 million. All totaled, News World's Washington ventures will lose about $80 million next year alone.

The church's pockets are deep enough to absorb those losses, but no one knows how long it will want to keep reaching into them. Cutbacks

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THE WASHINGTON MONTHLY

Journalism Award

for July 1987 is presented to

Larry Katzenstein
Consumer Reports

Katzenstein reveals how drug manufacturers pressure doctors, pharmacists, and public health officials to dispense brand-name medications even though generics are almost always as good—and cost much less. It's a public relations blitz with huge stakes: Americans spend $25 billion each year on prescription drugs.

To promote its Inderal hypertension medicine, Averst Laboratories sent pharmacists letters warning that they might be hit by liability suits if they dispensed a generic substitute. SmithKline Beckman rented Disneyland for an evening to entertain doctors and their families. Even public health groups have joined the fray. In 1986, the Epilepsy Institute issued an alert about generic substitutes for three anti-seizure drugs, even though it had little evidence to justify such a warning. A few months later, the companies that manufacture these brand-name anti-seizure drugs, bought advertisements in the Institute's journal and donated thousands of dollars for seminars.

The Monthly Journalism Award is presented each month to the best newspaper, magazine, television, or radio story (or series of stories) on our political system. Nominations for any newspaper, magazine, or radio or television station in the country are welcome. The subject can be government in its federal, state, or municipal manifestation.

The award for stories published or aired in August will be announced in the November issue. Nominations for stories published or aired in September will close October 15 and will be announced in the December issue. Two copies of the article or broadcast text should accompany the nomination.

have already taken a big bite out of the *Times*'s foreign bureaus and have prevented it from hiring all of the reporters it would like for the expanded paper that debuted in September. For a paper that pays handsome salaries, the *Times* is curiously penny-conscious, recently offering all employees a small cash stipend for each new subscription they gather. Somehow, it's hard to imagine David Broder earning pin money by bringing in new subscriptions to the *Post*.

It's quite possible that the paper will never be self-supporting. Advertisers haven't exactly embraced the *Times*, a comparatively low-circulation paper with the added ownership problem. Local radio station WGMS AM-FM won't even talk to anyone employed by *The Washington Times*, ad reps or reporters. "Some of them have told us that if we had a different ownership we'd advertise in [the *Times*] tomorrow," says de Borchgrave. "Obviously, that's been an impediment."

Some believe the next two years could go a long way toward deciding the fate of the *Times*. Between now and then, the owners will discover whether its current marketing and circulation drive makes the paper worth keeping. More importantly, the occupant of the White House will change. It's been suggested that the Korean owners will pull out if the Democrats win, convinced that their paper will no longer grace the breakfast tables of power. De Borchgrave and others at the paper insist that a Democratic administration will only make the *Times* a stronger, more vigorous "paper in opposition." Indeed, its coverage of the liberal Barry administration provides strong evidence that the *Times* can blanket "unfriendly" politicians as well as its pals.

Even if a Democratic president sends the Moonies packing, de Borchgrave insists the *Times* will survive. "[This] paper's not going to close down," he says. "I know of three groups and one individual that want to buy, because they cannot conceive of Washington going back to a single voice."

Of course, even de Borchgrave must realize that big-talking potential backers become considerably more elusive when it comes time to put the money on the table, particularly the fat wad it will take to keep the paper going for the next few years. But the inroads the *Times* has managed to make in five years, despite an ownership which at every turn diverts attention from the product, can't be overlooked. To enjoy *The Washington Times*, it probably helps to be a conservative; to want the *Times* to stick around, one need only believe that two opinions are better than one. □

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The federal government spends millions to train shipping executives at the U.S. Merchant Marine Academy

Wharton by the Sea

by Susan Feinberg

It looks like a military academy. Walking through the gates at the U.S. Merchant Marine Academy at Kings Point, New York, visitors see the undergraduates, called midshipmen, march in crisp uniforms and salute like their brethren at the U.S. Naval Academy in Annapolis. Overlooking Long Island Sound, the handsome campus is dotted with sea-weathered anchors and portraits of war heroes.

It *sounds* like a military academy. When the midshipmen stand stiff at inspection, there are echoes of a Lou Gossett movie. "I can't hear you!" "Sir, no sir." "I can't *hear* you!" On command, freshmen, called plebes, shout the alma mater or bark out the King's Point motto—*acta non verba*, "deeds not words."

And it sure does feel like a military academy. Midshipmen are shaken by surprise bunk checks in the middle of the night. For scheduled inspections they lose sleep, too, pulling all-nighters to wax floors, scrub toilets, and polish brass. That's a breeze compared to the brutal two-week indoctrination, when plebes have on occasion been ordered to march to the garbage room, rifles in tow, hop on one foot and chant, "ha ha ha." Little wonder that Kings Point officials boast that the academy "out-militaries the military."

Even though it is a federally run, four-year military service academy, Kings Point isn't West Point or Annapolis. Although it was created during World War II to train a special breed of commercial sailor who could guide ships through dangerous waters, it has become a kind of business school with calesthenics. More than three-fourths of its 1986 graduates took jobs in civilian industries, not the military. And the majority of those are ashore. An academy grad is more likely to earn a nice living designing financial models for a shipping consulting firm than preparing for battle on the high seas. Of course, Kings Point does have one thing in common with West Point: the federal government foots the bill. This year, the Department of Transportation, which oversees the academy, will spend more than $22 million for what is little more than boot camp for the shipping industry.

Susan Feinberg is a former Washington Monthly *intern.*

The presidential yacht

While West Point and Annapolis require their graduates to spend five years in uniform in exchange for their free education, Kings Point graduates don't have it so rough. Before the class of 1986, they were required to serve in the reserves of one of the armed forces, usually the Navy—a commitment of a few weeks a year. When it came time to choose a full-time job, they had only a "moral obligation" to go into the maritime industry. A recent alumni bulletin shows just how obliged some members of the class of '84 felt. One merchant mariner fulfilled his patriotic du-

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One salty dog fufilled his patriotic duty by starting his own horse ranch in Idaho, and another by patrolling the halls of Congress as a shipping industry lobbyist.

ty by starting his own horse ranch in Idaho, another by writing for a newspaper. Courageously, one patrolled the halls of Congress as a lobbyist for the shipping industry. *Verba non acta.*

Concerned that Kings Point grads were parlaying their free educations into lucrative, dockside careers, Congress imposed post-graduation requirements for all cadets beginning with the class of 1986. They still have to do a stint in the reserves. Additionally, they must maintain their Coast Guard licenses, a nuisance that doesn't even require going to sea. But Congress added a tough new provision: either serve five years in the armed forces or in a "maritime-*related* career."

As you might expect, many a merchant marine has shown a seaman's resourcefulness when choosing that related career. One salty dog is working in the maritime insurance business in Chicago. Another did a tour of duty as chief engineer of the presidential yacht.

In typical fashion, Congress set out to tighten a requirement and wound up making it as vague as ever. The definition of maritime-related has so many loopholes that DOT officials don't know whether or not to count lobbying Congress for shipping subsidies as a tour of duty. "That's a grey area in the middle that hasn't gelled to move one way or the other," says Arthur Freedberg of the Maritime Administration.

Little wonder, then, that only 17 percent of the class of '86 has headed for the life of push-ups in the armed forces. Only 20 percent actually went to sea as merchant mariners, in part because of the lack of seafaring jobs. (U.S. shipping ranks twelfth in the world behind countries like Panama and Liberia.) So more than half the class wound up in civilian jobs on shore, mostly as managers and engineers with shipping and oil companies, naval architectural firms, and defense contractors like General Dynamics.

But don't think that the martial training—plus 11 months of touring at sea, and compulsory shouting at football games—is somehow being wasted in the world of business. Since Temple, Barker, and Sloan, a shipping consulting firm, asked Jeff Drake '86 to "come on board," as he puts it, he has felt prepared to deal with pressured situations: "If I have an hour to finish a report, I'm able to do it and not get rattled." Eric Mensing, Kings Point '81, now a manager in government sales at American President Lines, Ltd., says Kings Point did a "good job preparing me for the business world." And, he adds, it teaches you about "taking orders, being on time, chain of command." American President Lines moves some military supplies, but mostly the stuff of which trade deficits are made, like imported designer clothes and VCRs.

Twenty-three-year-old graduates working as engineers and in management positions earn close to $30,000. At sea, the average starting salaries are in the $30,000 to $35,000 range. Those who take their first jobs sailing with Exxon earn in the $40,000 range with six months vacation. Why send your kid to Brown?

Just as helpful as the marching drills, though, are the business school courses. Kings Point has become Wharton-by-the-sea. The core curriculum is still a tough regimen of math and science courses, but there are plenty of management courses, like Industrial Psychology, International Trade and Finance, and Ship Chartering and Brokering. By 1989, students will be able to major in transportation dealing with the intermodal system of moving goods by ship, rail, and trucks. It's a discipline that could help a graduate land a good job at a cargo company.

Tugboat executives

Since they're not exactly on the front lines of national security, Kings Point officials have become self-conscious about the academy's existence. In a letter to alumni in April, the superintendent of Kings Point, Thomas King, conceded that "we must in fact run very hard just to maintain our relevance." In what many see as a move to impress Congress, the academy has clamped down on discipline during the past two years, according to several cadets. An active-duty officer from the U.S. Marine Corps has even been assigned to the campus to give a course on leadership.

Even the academy's published statement of mission seems to vacillate. The first clause in the

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1981 version was "to graduate outstanding young Americans with definite ambitions to serve as leaders in the United States Maritime Industry." Today, the first goal listed is "to serve the economic and national security interest of the United States. . . ."

Adding the words "national security" brings the mission in line with the academy's strategy to promote itself as a bulwark of freedom. Kings Point and the Department of Transportation have argued that the cadets are needed to import critical strategic elements and to provide the nation with a ready corps of officers to man merchant ships in time of emergency.

That's a worthy goal. But how many strategic minerals do you end up carrying when you push paper for an engineering firm? Reading Kings Point literature you would think it's a unique institution in American life. Yet besides Kings Point there are six state maritime academies providing a pool of trained sailors in case of emergency. Kings Point graduates 150 midshipmen each year; the six state maritime academies, about 700. In contrast to Kings Point, the state academies charge tuition. And though they don't require their graduates to enter the armed forces, the state maritime schools still provide as many sailors for the Naval Reserves as Kings Point. "If they closed the doors on Kings Point, the state academies could probably do the job," says Rudy Cassani, counsel to the House Merchant Marine subcommittee.

If they closed down Kings Point and there weren't enough trained officers for the maritime industry, the shipping companies would, arguably, have to beef up their own training programs. "I find it [King's Point] extremely on the far edges of what's necessary for national defense," says Annelise Anderson, a senior research fellow at the Hoover Institute and former associate director of the Office of Management and Budget. But even assuming that a federal academy is needed to sustain that pool of officers, it's hard to see the merit of having merchant marines fulfill their service requirements from desks in Chicago.

Cassani says that despite "the question of why we spend federal money to pay Kings Point to aid the commercial sector," he favors keeping Kings Point federally funded because "it is a national symbol." In an advertising supplement commemorating its fortieth anniversary in 1983, Kings Point officials seemed to recognize the importance of such symbolism, sprinkling the pamphlet with quotes from President Reagan, Caspar Weinberger, and Dwight D. Eisenhower.

Included, too, were the words of that naval legend Thomas E. Moran, president of Moran Towing Corp. The towing industry is "particularly indebted" to Kings Point, he noted. And William Hubbard, a senior vice president for American President Lines, said, "We have looked to the U.S. Merchant Marine Academy over the years for not only our key ships' officers, but for a large number of executives who combine unique academic training with solid experience at sea, making them well-equipped to help us manage a growing, modern company." Maybe this is what they mean by military-industrial complex.

One likes to see government and business working in concert. But it raises the question of why we don't also set up military service academies to lead the sagging steel industry or the depressed oil industry—both of which are of critical importance to us in wartime. Even the shoe industry has pleaded for federal help on national security grounds. Perhaps some 5 a.m. marching drills would build character and competitiveness at Florsheim.

At Kings Point, what you're left with are the trappings of military life and little of its purpose. Then again, what better way to prove that you're not just another subsidy for the shipping industry than to shout "I can't hear you!" at quaking cadets. While many at Kings Point think they have found the hidden value in all those hours shouting "ha ha ha" in the garbage room, one can't help but think that it is the American shipping industry that gets the last laugh. □

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The bureaucracy took on Reagan and Big Oil—and won.

Chalk One Up for the Permanent Government

by Rich Jaroslovsky

On February 27, 1986, the computers linking the nation's banking system glowed as a series of electronic impulses darted back and forth between accounts representing Exxon Corporation, the world's largest oil company, and the U.S. Treasury. When the electrons finished their little dance, the government's coffers had swollen by $2.1 billion. And Exxon had paid the largest civil regulatory judgment ever awarded against an American corporation.

That $2.1 billion was the climax—though hardly the end—of a long shadow war between the government and the nation's oil industry, a struggle in which the government tried to track down and prosecute violations of the federal price controls on crude oil and petroleum products that were in effect from 1973 until Ronald Reagan ended them in 1981. These overcharge cases generated blizzards of publicity when they were filed during the Carter administration in the days of $40-a-barrel oil and blocks-long gasoline lines. At the time, oil companies and conservative ideologues claimed that the charges were vastly overblown and, in any event, would never stand up in court. Today, the companies are a good deal poorer, and the critics a good deal quieter.

For a comparatively minuscule federal investment, the program has achieved spectacular success, having so far generated some $6 billion in refunds to customers, payments to the government, and other forms of restitution. Proceeds have gone to schools and hospitals, to poor people and budget-slashed state governments, and even to help whittle down the federal deficit. Yet this triumph has gotten no huzzahs from the White House spokesman, no mention in Reagan Rotary Club speeches, no lavish press conference. In fact, the program's success must gall this administration, since it flies in the face of every cherished conservative belief about the role of government in the regulation of the marketplace. Moreover, it is a program the Reagan administration did its best to gut.

The oil-overcharge program provides a classic Washington tale about the inertial forces of government—how a program accumulates enough momentum to keep going even after the people who set it in motion have left. White House officials are forever arguing, usually with justification, that permanent Washington—the "iron triangle" of interest groups, Congress, and the bureaucracy—thwarts presidential initiatives and paralyzes the political system. On occasion, though, as the oil-overcharge program shows, the iron triangle also strikes gold.

These days, with gasoline relatively cheap and oil company profits in the doldrums, it may seem uncharitable—and, the oil companies would argue, counterproductive—to force Exxon, Mobil, et al. to cough up. On the other hand, the overcharging cases provide evidence that they were less than charitable back in the days when OPEC was riding high and the blue-eyed Arabs hitched up and tagged along. Some might call it just deserts.

The regulations on the price and supply of petroleum products that spawned the overcharge cases originated with Richard Nixon's temporary wage and price controls. Although controls were soon lifted on most other goods and services, they became an all-but-permanent part of the nation's energy policy after the Arab oil embargo. The regulations were added to and modified as the energy picture changed, and problems and inconsistencies were often addressed by band-aid changes. As the rules became more complex, they became harder to enforce. By the time the Carter administration took office in 1977, they had developed into an almost impenetrable maze.

To streamline the process, the administration appointed a special counsel in the new Energy Department to investigate and prosecute viola-

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tions by the country's 35 biggest oil refiners. Carter aides hoped to find a high-powered, prestigious figure to fill the job, but no one they approached seemed interested. The post ultimately fell to Paul Bloom, then a little-known, 38-year-old lawyer in the Energy Department.

"Paul Laurence Bloom loves to affect the part of a none-too-bright country lawyer lost among the city slickers," *The New York Times* commented a few years later. But few of those he made miserable in the oil companies, the Justice Department, and his own Energy Department were convinced by the pose.

Bloom inherited a program that was demoralized and all but dysfunctional. For example, one team auditing Mobil had been allowed to remain in New York even though the company's oil operations had moved to Houston. Bloom moved quickly to reorganize and expand. The Mobil team was dispatched, kicking and screaming, to Houston. He added hundreds of new auditors and lawyers, and won the right to draft—or dragoon—personnel from various corners of the far-flung department. Pitched battles were fought with other DOE operations over the control of certain field offices.

By the time the Iranian revolution triggered the great 1979 oil shock, the government had 600 investigators poking and probing the major companies, requisitioning space in their offices, and demanding company records, microfilm, and computer printouts.

Until he left office, Bloom waged a relentless campaign of investigation, litigation, and publicity. Bloom's initial approach was to file a series of industry-wide court cases, but continuing clashes with the Justice Department, which has primary responsibility for litigation involving the federal government, led to a change of plans. The new strategy was to bring cases first as administrative complaints that only in later stages might reach the courts. As it turned out, going this route increased Bloom's control over how the cases were handled and how they were presented to the American people. Every few weeks, his department would, with great fanfare, announce a new batch of charges that would further fuel public resentment against the oil companies. The issues raised were often highly technical. An $888 million complaint against Texaco, for instance, involved a dispute over whether a "property" was defined as a tract of land or as the oil under it. A $311 million charge accused Gulf of retroactively allocating too many of its costs to price-controlled products alone rather than spreading them over all products.

American consumers were already frustrated by the industry's inability to supply gasoline and enraged at its wildly rising profits. Now, on top of everything else, the government told them the companies were price-gouging. No wonder the industry regarded Bloom with a mixture of anger, terror, and loathing.

Oil executives were especially enraged by Bloom's canny manipulation of the press. "Bloom was an absolute genius," remembers one of his former subordinates. "He recognized that the office had to generate attention in order to generate results." One weapon in his arsenal was the dollar amount attached to alleged violations. Often a company's interpretation of a disputed regulation might allow it to charge a higher price than it could actually charge in the real world. Thus, there could be a difference of hundreds of millions of dollars between how much it *did* overcharge, and how much it *might* have overcharged. By including the potential amounts in the total dollar value of the complaint, critics charged, the government was presenting a vastly inflated impression of the overcharges. But for headline-hungry journalists, the bigger the number, the better. "Energy Dept. Accuses 9 Refiners of $1.18 Billion Oil Overcharges," read the page-one headline in *The New York Times*. "7 Oil Firms Accused of Overcharging; U.S. to Seek $1.7 Billion in Refunds," trumpeted *The Washington Post*. No matter that, in his many press conferences, Bloom would carefully point out that not all of the alleged violation was passed on to consumers. That was a distinction most likely lost on the average TV viewer or newspaper reader.

The industry was just as often outraged by the manner in which it learned of new charges. Often, word would reach a company late in the day—through a reporter calling for comment on allegations it had yet to see. Worse, executives sometimes wouldn't learn of complaints against them until they read their morning newspaper. On at least one occasion, news of a major batch of charges against Gulf Oil leaked on a day when the company's board of directors was meeting. The enraged chairman telephoned Energy Secretary Charles Duncan and complained bitterly. But Bloom, armed with a broad charter, was relatively insulated from such pressures.

The Grinch

The companies had some legitimate complaints. The price-control regulations were complex, and in many areas, murky. A frequent complaint was that the department had grown tougher over the years in its own reading of the

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regulations. But there was also reason in many cases to doubt that the companies had even made a good-faith effort to comply.

Investigators found evidence that some oil classified at the wellhead as "old"—and thus subject to tight price controls—would be mysteriously reclassified as "new," higher-priced oil on the way to the refinery. In other cases, new wells might be opened in a field, or the field's boundaries redrawn, in an effort to decrease the average per-well production and thereby qualify the output for higher, "stripper" prices. A few such cases were criminally prosecuted. Far more, however, were left to the special counsel's civil proceedings.

In selecting which cases to pursue, Bloom went for the most egregious example— "the ones where you could make the biggest bang" and those that had the best chance of being upheld if they ever got to court. But his obvious goal, in many instances, was to force the companies into settlement negotiations and extract some of their profits in the form of price rollbacks, refunds to customers, and other restitution. Those companies that were willing to settle some charges, such as Getty and Gulf, were often able to escape for only a fraction on the dollar—a concession on the government's part that the regulations were virtually untried in court. But many of the biggest companies, led by Exxon, vowed all-out war. The government lost an early court test-case, and the companies professed little doubt that further challenges would end the same way. "Bloom's cases are built on pillars of sand," one industry attorney was quoted as saying in 1980. Said another: "In two to three years, the regulations will just fall apart in the courts."

Others put their faith in the Reagan administration. Ronald Reagan's 1981 abolition of the remaining price controls gave them hope that the entire enforcement effort would simply wither away. Some ideologues pushed for an immediate end to the investigations. "Now that oil prices have been decontrolled, there is no excuse for continuing this farce," *The Wall Street Journal*'s editorial page intoned. "Some might argue that dropping further action would be unfair to the companies that paid up, but that is hardly an argument. Such 'unfairness' might remind companies to fight harder the next time government tries a similar heist." But the companies that listened paid a heavy price for their gullibility.

From the start, the Reaganites showed a lack of political skill and finesse in their efforts to gut the special counsel's office. A little more than a month after taking office, the new administration blundered into a political landmine that the departing Bloom had planted. On January 19, the day before he left office, Bloom had quietly taken $4 million from the funds collected in a settlement with Amoco Oil and given it to four charities to help poor families pay their winter heating bills. The maneuver was pure Bloom; he based his claim to authority on an opinion from his own lawyers and slipped it past his superiors, preoccupied with their own impending exit from office.

Newly ensconced Energy Department officials soon discovered the ploy and publicly demanded the return of the money—much of which had already been spent. The scene quickly—and predictably—turned into a public relations nightmare. At one point, a uniformed official of the Salvation Army suggested to the television cameras that his organization might have to put its sidewalk Santas back on the street just to collect the money the government was demanding.

Under pressure from the White House, the department backed down. The charities agreed to return $1 million that hadn't been spent, and government officials grumbled vaguely about suing Bloom for the rest. Bloom, by this time in private legal practice, wound up looking like Robin Hood. The Reagan administration wound up looking like the Grinch Who Stole Christmas.

With David Stockman newly installed in the

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Office of Management and Budget, the administration began its most fervent attack on the enforcement program. Reagan's first budget in 1981 aimed to cut the size and budget of the special counsel's office by more than 80 percent, from $35.6 million to less than $6 million. Administration aides dutifully trooped to Capitol Hill to insist they would be just as rigorous in enforcing past violations.

Skepticism was fueled by the injudicious remarks of some administration appointees about the cases—talk that implicitly promised swift, sweetheart settlements. Rayburn T. Hanzlik, who became the department's top regulator in the fall of 1981, attacked the very cases he was overseeing, declaring in a speech to an oil region audience that some of the laws he was supposed to be enforcing were "irrational" and "flimsy." His office preferred reaching settlements to litigating cases to their conclusion, Hanzlik said, "because we believe most of those laws and regulations would be thrown out of court." Within the oil industry, it took no great leap of imagination to conclude that the department wouldn't be driving many hard bargains.

But the frontal assault on the program proved naive. It angered Rep. John Dingell, the Democratic chairman of the House Energy and Commerce Committee and a long-time master at making executive-branch officials of both parties quake. He orchestrated a series of hearings on the enforcement effort that kept Energy Department officials continually on the defensive. In March 1981, he accused the Reagan administration of "cutting the heart out" of the enforcement effort, "effectively granting amnesty to these price gougers and potential criminals." In hearing after hearing, administration officials were summoned to explain and justify their plans. Other Democrats took his cue, painting the Department as overly cozy with business at the expense of the average guy. "What we have here, in fact, is an effort to fix these cases," then-Rep. Albert Gore Jr. declared. "If in this country somebody steals $50, they will be pursued to the extent of the law and should be. However, it seems sometimes that if somebody with a coat and tie steals $100 million with a pencil and paper, they are forgiven quickly, not pursued, and just winked at."

The administration led with its chin. Critics had a field day with the disclosure that the proposed enforcement budget didn't include enough money to pay for the layoffs the administration was seeking—let alone enough to see the investigations through.

The civil service played a key, if indirect, role during this period, as they often do during bureaucratic budget battles. A long delay by the administration in filling key political jobs had left day-to-day operation of the program in the hands of bureaucrats who had been Bloom's key aides. They weren't in any position to overtly oppose the administration's plans, but they were able to keep the program going day-to-day. Some of them kept up a steady stream of leaked documents to Dingell's aides. In one exchange, a well-briefed Gore elicited from Avrom Landesman, Bloom's former deputy and acting successor, an admission that OMB had deleted a warning from Landesman's submissions to the committee that "certain regulatory violations might be undetected" as a result of the administration's budget cut plans.

Even many antiregulation congressional Republicans couldn't swallow what appeared to be amnesty for the oil companies. While there was certainly no love among GOP legislators for price controls, there was a feeling among many that the law was the law and had to be enforced whether or not they agreed with it.

With the intense pressure from Congress, the enforcers began to notice a change in their superiors' attitudes. Budget cuts and layoffs continued, but Dingell had raised the political cost of attacking the program. "No one was going to confront Dingell or do anything to put his head in the noose," one of the civil servants recalls. Even the energy secretary, James Edwards, was sounding like a tough cop, boasting that "my concerns about the consequences. . . for the compliance program" had convinced the OMB to give back 250 job slots it had proposed to eliminate.

Gradually, the attempt to strangle enforcement was set aside, and the administration settled into a posture of malignant neglect. Morale plummeted, and many staff members began looking for jobs elsewhere. But after its initial effort, the administration never focused sufficiently on the office to deliver the coup de grace.

In the ensuing years, the program grimly held on, its civil service principals fighting bureaucratic brushfires as they pressed cases and negotiated settlements with companies tired of the continuing struggle. Their effort was rewarded by a development even its staunchest backers hadn't dared hope for—near total vindication in court.

Federal appellate courts are often the last stop for clashes between government and business, but, to keep wage and price control cases from clogging the judiciary, Congress had established a special court to handle such disputes. This Temporary Emergency Court of Appeals (TECA) was

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composed of sitting appellate and district judges, often on semi-retired status. The court turned out to be badly misnamed; long after the "emergency" had passed, the court appeared anything but "temporary." After the Energy Department concluded administrative proceedings against a company, the case would often move into TECA. In virtually every major case involving interpretation of the price control regulations, the government won.

In some ways, the government's winning streak wasn't surprising. Only the strongest cases made it to court; weaker ones were never brought or were settled along the way. To date, the government has won well over 90 percent of the cases that reached TECA. After a while, "there was more momentum being generated than anyone ever intended," says Carl Corrallo, a former top aid to Bloom, who had remained as a senior official in the special counsel's office.

With each win, which validated the widely derided charges, the office became a little tougher to kill, and the oil companies became a little more nervous. Some that previously had been reluctant to settle decided a deal might be cheaper than an uncertain appeal.

The dollars began to mount in the special treasury account set up to hold enforcement collections until it could be decided who was entitled to them. Settlements with Arco and Chevron brought in $400 million. Another $1.4 billion came from a court decision against a clutch of companies in a dispute over whether wells that injected water into oil fields could be counted as producing oil under the price-control formulas. With the passage of time and the miracle of compound interest, the companies most confident of ultimate victory—and hence least inclined to settle the charges against them—wound up the biggest losers. The biggest of all was Exxon, which saw one case concerning its crude oil production at a single Texas oil field grow from a $188 million complaint by Bloom into last year's massive $2.1 billion judgment.

As the money continued to accrue, would-be beneficiaries began circling like sharks: real or imagined victims of the original overcharges, state governments, consumer groups. The enforcement effort had become, in the words of one of its principals, "a spectacular money-collection program" at a time when dollars for any non-defense purpose were scarce. Even elements in the administration were happy to benefit from the flow of money, if not enough to openly acknowledge it.

The program's successes brought headaches of a new type. Given the difficulty of determining just who had been overcharged ten or more years ago and by how much, dividing the spoils proved difficult. But after years of haggling over who would get the money, the Energy Department finally began doling it out. Early last year, negotiations between the government and lawyers for claimants in the injection-well case yielded a formula, later approved by a federal judge in Kansas, for splitting the take. Of the $1.4 billion, federal and state governments shared $900 million; $45 million each went to crude oil resellers and petroleum-product retailers; $35 million to farm cooperatives; $30 million to airlines; $11 million to trucking and bus companies; and so on, down to $5.3 million to electric utilities. Ironically, nearly $300 million went to oil refiners—many of which had, in their role as oil producers, fought the losing battle against the overcharge complaints in the first place. The government figures that more than 40,000 groups, companies, government bodies, and organizations will benefit as a result of that single settlement.

In the Exxon case, state governments were the big winners: the $2.1 billion was divided among them in proportion to the volume of petroleum products they consumed during the years Exxon was found to be overcharging. The money was earmarked for a variety of energy-related programs, many of which had suffered budget cuts: weatherization of the homes of the elderly and handicapped; state and business energy-conservation plans; school and hospital programs to save energy or use alternative sources. Some even went to help the poor pay their heating bills. This time, there was no mention of charities.

At last count, the government had collected a staggering $6 billion in settlements and judgments, which dwarfs the investigations into World War II profiteering as the biggest government restitution campaign of all time. By the time the program is wrapped up in a few years, the figure is expected to approach, perhaps exceed, $8 billion. Two billion dollars or more may wind up in the federal treasury after all other claims are satisfied.

All this is being accomplished in near-total silence. Only in the fine print in the *Federal Register* and an occasional Energy Department press release does the process get any public attention. Yet a few of the old-timers watch the process and chuckle. Bloom, for one. Now a natural-resources attorney in Washington, he wistfully recalls that a skeptical superior once jocularly offered him a 10 percent commission on any recoveries his charges generated over $1 billion. "It would have been a good deal," he says. □

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SUBJECT: IG/SEC Divisional Designations

In December of 1984, divisional designations within IG/SEC were informally changed to the Division of Investigations and Domestic Security, (IG/SEC/DIDS) and the Overseas Security Division, (IG/SEC/OSD). Effective immediately, IG/SEC/DIDS will revert to the Personnel Security Division, (IG/SEC/PSI) and IG/SEC/OSD to the Physical Security Division, (IG/SEC/PS). These changes are made in compliance with Handbook 17. They do not reflect any functional reorganizations within the office at this time.

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Five Washington insiders the next Democratic president shouldn't hire

The Powers that Shouldn't Be

by Paul Glastris

Given he was garnering about 2 percent in national polls, it may have seemed a bit premature for former Arizona Governor Bruce Babbitt to have started naming possible cabinet appointments last July. During a Democratic candidates debate in Houston, Babbitt decided that for his quest to be taken seriously, it might help to drop some serious names. So right then, only 480 shopping days before the election, he rattled off a list of Washington's finest, including Robert "Mr. Democrat" Strauss and Warren Christopher, Jimmy Carter's deputy secretary of state and a certified member of the foreign policy establishment. Babbitt's press secretary, Mike McCurry, explains the Christopher choice: "It was a way of communicating to inside the Beltway, 'Hey, I have some sense of how things move in Washington, I'm no hick governor with straw coming out of my ears.' "

Babbitt inadvertently let the TV audience in on what political junkies have been all too aware of: the other campaign, the one for federal jobs. It's already well under way. Candidates are trying to attract big-name advisers and, just as important, would-be appointees have begun campaigning aggressively for post-season jobs. Like the unknown governor yearning for the presidency, the aspiring cabinet secretary must start early if he or she wants to stand out.

When Gary Hart was the front-runner, the seekers clamored to get close to his senior aides. "As the Hart campaign was warming up there were people trying to elbow their way in, some with very sharp elbows," Richard E. Feinberg, a foreign policy adviser to Hart, told *The New York Times*. Hart's exit affected this other campaign as much as it did the one for the nomination. Now the seekers have spread out. Super-lobbyist Anne Wexler is a top adviser to Michael Dukakis, James Schlesinger is whispering in Richard Gephardt's ear, Robert Strauss is simply everywhere, and hundreds of lesser knowns have fanned out to the candidates of their choice. "How do people do it?" said Feinberg. "By ingratiating themselves with senior advisers, by writing unsolicited memoranda, providing either advice on campaigning or specific issues, by offering to organize a briefing session on a subject." Or they pound out opinion pieces, angle for a few precious minutes on "Nightline," or attend conferences. Lots of them. The conferences of choice this year have been those of the Washington-based Center for National Policy. The Center has become a sort of employment agency for the government-in-waiting, just as the Trilateral Commission and the Industrial Policy Study Group were in previous elections.

Insiders know that they'd better campaign now because competition becomes frenzied during the ten-week transition period after the election. The clawing and climbing of job seekers has been so frenetic during past transitions as to evoke Stephen King descriptions from officials involved: "a black morass," "a whirlwind," "thunder clouds and lightning," "that tidal wave," "that avalanche, that onslaught."

Presidents, in part to avoid the stampede, often choose people they know and trust, a formula that can backfire in the form of a Bert Lance or Frank Moore. Although less known than Lance, Moore was perhaps more damaging. Carter put him in charge of the White House congressional liaison office because Moore had done such a fine job lobbying the Georgia legislature when Carter was governor. But Moore was as much of a Washington neophyte as Carter; many of the administration's legislative initiatives stumbled over Moore's inexperience—"as disaster" is how

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one top Carter aide describes Moore's tenure. aide describes Moore's tenure.

Presidents will also make cabinet-level selections that satisfy the demands of the department's constituencies. Reagan selected James Watt to be secretary of interior to please Western politicians like Senator Alan Simpson and Western business interests like the National Coal Association, whose president bubbled at the time, "We're deliriously happy." (Reagan, who at first shared the sentiment, eventually stopped smiling when Watt became the administration's chief liability.)

To dispel the impression they'd make appointments of the caliber of Lance, Moore, or Watt, candidates have made an equally perilous mistake: relying on respectable Washington insiders.

There are, of course, some talented people in Washington institutions like Congress, the think-tanks and law firms. But too often they have investments in the same failed policies that new administrations are supposedly elected to overturn. Outsiders might lack government experience, but insiders are more likely to be blind to ideas percolating in the rest of the country. Take Carter's appointment of Joseph Califano, a veteran bureaucrat of the Kennedy-Johnson years, as his secretary of health, education and welfare. When Carter's Labor Department tried pushing a welfare reform program tied to a work requirement, Califano argued that people on welfare were "functionally illiterate unemployables." Carter pointed out that he had plenty of capable employees on his farm who could operate forklifts but couldn't sign their names—just the sort of common sense you're more likely to pick up on a peanut farm than on the banks of the Potomac. Califano continued to advocate that old liberal warhorse, a guaranteed national income, which doomed the welfare reform initiative Carter had made such a high priority.

Finally, there is the danger that in the quest for someone with an impressive resume who knows how Washington works, a president overlooks obvious faults he wouldn't tolerate from some no-name, such as, say, being a complete jerk. James Schlesinger impressed candidate Jimmy Carter with his brains, his high-level experience (he'd run the CIA, the Atomic Energy Commission and the Defense Department), and with secrets regarding the defense spending vacillations of his old boss, Gerald Ford, just in time for the presidential debates. After the election, Carter hired Schlesinger as energy secretary. But Carter fired Schlesinger in 1979 in part for the same reason Gerald Ford had—he was unbearably arrogant and impatient with lesser minds who disagreed with him, and hence inept at dealing with Congress.

Similar disasters lurk among the respectable candidates for appointment in a new Democratic administration. Each of the five people on our list represents a tendency of establishment Washington that a Democratic president would have to challenge if he or she hopes to govern well enough to win reelection in '92. Several have an additional liability: character flaws that might not hamper their ability to win a seat at the cabinet table but, once there, could prove damaging to their president. All have some fine qualities, and after eight years of watching conservative rockheads in top federal jobs, almost any Democrat is going to seem refreshing. But that's hardly an argument for giving them some of the most important jobs in America.

It may seem a little early to be sorting resumes for a Democratic cabinet a year before the party has even chosen a nominee, let alone taken the White House. But by next fall it will be too late; when "that avalanche, that onslaught" comes, the harried president-elect will start turning to those people who helped him early in the campaign. With each passing day, these troublesome courtiers are winning valuable brownie points. Putting a few establishment resumes in the "reject" pile right now might be the next step towards making the Democratic party something the nation can be proud of.

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Patrick Caddell

He either gets his way or, well, he has a tantrum. "He certainly had a late adolescence," said Frank Mankiewicz.

To understand what's wrong with Pat Caddell, take a sip of New Coke and then a sip of Classic Coke. If you're like me, you'll wonder how on earth Coca-Cola thought changing the formula was a great new idea. Yet it makes perfect sense that Caddell was a marketing consultant on the New Coke campaign. It was, after all, new. A change. And Caddell is the official strategist/pollster/Svengali of those on-the-move-and-lookin'-for-a-change baby boomers. "Coke was very receptive," Scott Miller, Caddell's partner on the Coke contract, told *The Wall Street Journal* before the product bombed. "It's ironic that Pat and I have been beating our heads against the wall for the last two years with the Democratic party to get them to embrace change, and then go to corporate America and it accepts our concepts." The people at Pepsi must have delighted in that irony, and in the long run, if Pat Caddell is influential, the Republicans will too.

There is no doubt that despite the slump of his current candidate, Joe Biden, Caddell knows how to win elections—he helped George McGovern, Jimmy Carter, and Gary Hart stun political pundits. Caddell has shown brilliance in analyzing the Democratic party's problems. He saw the need to come up with a "better approach for the Democratic party than constantly trying to glue together another version of the New Deal coalition every four years," as John McEvoy, a Hart adviser and Caddell fan, puts it.

But there is an aspect to his thinking that is bad not only for his candidates but for governance. Caddell believes the key to winning contemporary elections is appealing to "alienated" voters—that ever-growing group of mostly younger voters who are not easily identified as liberal or conservative and don't trust government, politicians, or the parties. You can't lure these voters with programs and stands on specific issues, so the theory goes. Rather, you must remain as uncommitted as they are. You lure them by attacking that which caused their alienation: the Establishment. Even if he were inclined to help his candidate address the nation's substantive problems and articulate a coherent package of solutions, he'd have trouble. Caddell understands polling, public opinion, and campaigning, but his knowlege of and interest in government is scant. As a result, Gary Hart, a man with at least some substantial views on major issues, became, under Caddell's control, open to the charge, "Where's the beef?" A good bit of beef was there; Caddell simply had no urge or facility for conveying it. He helped express only that part of Hart's appeal he understood and thought was important—his youth, newness and independence from "the failed politics of the past."

Promising disaffected voters or soft-drink guzzlers something you can't deliver is more than just cynical, it's reckless. "Basing politics on appeals to alienated voters," writes Sidney Blumenthal in *The Permanent Campaign,* "seems self-defeating, since as a politics without a fixed position, it creates more alienated voters. Carter may have been able to win the presidency on this basis, but he has found it difficult to govern."

This explains the fallout from the infamous "malaise" speech that Carter and Caddell wrote based on a long Caddell memo. Carter spoke eloquently about leadership and national angst but offered no compelling plan of action. Although most people remember the speech as a disaster, Carter's approval rating shot up immediately afterwards. It was only disastrous a few days later when Carter's solution—some awkward cabinet firings and haphazard policy proposals—gave the (correct) impression that he wasn't in control. "Having diagnosed the patient's moral neurosis, Dr. Carter was unable to provide the cure," writes former Carter speechwriter Hendrik Hertzberg. "He'd raised expectations so high that when he proved unequal to the task of meeting those expectations the public took a terrible revenge."

Joe Biden is now learning the same lesson. Caddell has modified his boiler-plate "outside in-

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surgent" strategy to fit the fact that his candidate has been a U.S. senator for 15 years; Biden is now "an inside insurgent," leader of that fiery rebellion known as the "coming of age of a new generation." Biden's rhetoric, his promise of a renewal of idealism, can draw thundering applause. But already the gap between promise and delivery is showing. "What's Biden Saying?" was the headline of a David Broder column about a campaign speech Biden gave outlining his foreign policy. After interviewing members of the audience, Broder concluded that "Biden's speech really demonstrated more of the temptation to fuzz the issue than to give a straight answer." *The New Republic*'s Morton Kondracke found the same reaction in Iowa, where Biden in August was "doing nothing in the polls and is gaining the coffee shop reputation as a 'big mouth, not serious.' "

Just suppose Biden picks up in the polls and wins the election thanks to Caddell's strategy. Having failed to offer alternative views and positions, Biden, like Carter but unlike Reagan, will arrive in office with no mandate to do anything in particular except maintain his popularity in the polls—a job for which he would need the assistance, obviously, of Pat Caddell. During the 1976 Florida primary, Caddell's polling showed that the public thought Carter was unclear on the issues. "The problem," Caddell told Blumenthal, "was that the fuzzy issue had caught up with Carter." The campaign soon put out a series of pseudo-substance ads that corrected the "fuzzy issue" at least enough to get Carter into the White House. Thanks, Pat.

Is it really Caddell's fault if Carter had no program, Hart couldn't articulate his, and Biden's a windbag? Of course not. And a president with a coherent program and message might make good use of Pat Caddell's strategic mind. But it says something about Caddell that he has not tended to drift to people like that. If a solid candidate did manage to sign him on he or she had better be careful: Pat Caddell, in his personal behavior, is a p.r. disaster waiting to happen. He either gets his way or, well, he has a tantrum. "He's like a lot of people who make it very young," Frank Mankiewicz, executive vice president of Hill & Knowlton and a Caddell ally, has said. "He's certainly had a late adolescence." As a consultant to Gary Hart's 1984 campaign, Caddell would thunder and moan and threaten resignation again and again when he felt his strategy wasn't being followed, oblivious to how his public whining hurt the candidate. During a key fundraiser on the night of the New Hampshire primary, he stormed past perturbed potential donors and out the door, leaving Hart to make the best of a bad public scene. "You can't believe a grown man would behave that way," observes a member of Hart's campaign staff who maintains a friendship with Caddell. "He's like a parody of some temperamental movie director."

He's no less persistent when his ideas are dumb. In the 1980 campaign, Caddell urged Carter to attack Reagan as a racist and a warmonger. The plan backfired when the press made Carter's "meanness" a major campaign issue. "Pat would frequently come into my office with some off-the-wall idea that we needed to implement 'right away,' " recalls one senior White House official. "I'd usually sit there and listen and then not do anything, and the idea would usually just go away." Unfortunately, Caddell is such a dynamic, persuasive and relentless character that too many of his bad ideas just don't go away.

William Perry

He approved dud weapons, opposed independent testing, discouraged dissent and has a license plate that reads "HI TECH."

No, not the Chicago Bear. And if this William Perry were to be given a kitchen-appliance nickname it would not be "refrigerator" but "self-adjusting-all-weather-nasally-attentive microwave oven." William Perry is Mr. High-Tech of the defense world. His license plate reads "HI TECH." And he's on the short list to be secretary of defense. He's already advised several candidates (expressing "the greatest admiration" for Al Gore), is a regular conference goer, a habitual commission-joiner (he was on both the Scowcroft and Packard commissions), and is a trusted ad-

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viser to defense-god Sam Nunn. He was Carter's undersecretary of defense for research, engineering, and acquisition, and, as the title implies, understands the complex technologies that go into modern weapons. But his record of having helped build an arsenal of weapons that don't work shows he knows quite a bit less about the unpredictable realities of combat.

That's too bad because the next secretary of defense will have to be a particularly good one to help guide our military out of the mess created, in part, by William Perry. After all, the Reagan arms buildup was primarily a radical increase in purchases of weapons designed and developed during the Carter administration. As under secretary, Perry effectively controlled which emerging technologies and weapons systems would receive R&D funds and which systems the Pentagon would procure. Among the regrettable high-tech weapons systems he gave the green light to: the MX missile (still no basing system), the TV-guided Maverick missile (fighter pilots become sitting ducks when they launch them), the F-18 fighter (costs more, performs worse than the planes it replaced), the Aquila Remotely Piloted Vehicle drone (worse than the Israeli version, 16 times as expensive), the DIVAD gun (no amount of money could make it work), and the Apache helicopter (the Pentagon recently grounded the entire fleet).

Many a fine man might have succumbed to the pressures of the services lobbying for these duds. The trouble is that Perry is *devoted* to the idea that the U.S. can throw technology at its defense problems. This is not surprising given that his military experience is almost entirely of the chalkboard variety. Trained in mathematics, he worked in the California electronics industry, where he co-founded a defense electronics R&D firm before going to the Pentagon. Since leaving government he's been working as an investment banker specializing in high-tech and defense companies.

When faced with questions about the high costs and inconvenience of high technology weapons, he whips out his calculator metaphor. Calculators, he points out, used to be clunky devices that took up half your desk and cost several hundred dollars a piece. Today they fit in your palm and run $5.99. True, the microelectronics used in modern weapons are better and cheaper than they used to be. But the price of the microelectronics-laden weapons themselves—not to mention their operating costs and the rate at which they break down—has skyrocketed. Meanwhile, the price of comparable consumer items, like cars, with all their fancy new electronics, has dropped slightly in real dollars over the past five years. That's because in the defense market—unlike the consumer market—a handful of producers sell a small number of units to one buyer—the Pentagon, whose perverse bureaucratic tendency is to demand ever more expensive and complicated products.

Perry argues that high-tech is good tech because it's the best way to compensate for the Soviet's numbers advantage; they have four tanks deployed for every one of ours, for example. Our only hope, he says, is to make use of our country's technological superiority. Rather than match the Soviets tank for tank, Perry promoted something called Follow on Forces Attack (FOFA), a strategy that, in theory, uses guided missiles, heat-seeking "smart" munitions, and complicated radar targeting systems to destroy Soviet forces before they get to the battlefield.

A few minor problems. According to the Office of Technology Assessment, no one can say how much FOFA will cost, though the whole premise is that it will be cheaper than building more battlefield weapons like tanks. No one can say if the plan will work, because no one has figured out how to test all the systems working in tandem. The more money we spend on FOFA, of course, the less we have to buy tanks, giving the Soviets an even bigger advantage. Yet FOFA, dubbed "the 13 miracles weapon" by Pentagon skeptics, has moved ahead under the Reagan administration and would probably get a big boost if Perry returned.

It's not that technology can't improve weapons. The cruise missile is an example of a worthwhile high-tech weapon Perry helped bring about, though it too has problems. But the best way to determine, short of battle, when technology is improving weapons and when it is not, is a system of rigorous testing. This is where we should really worry about Perry. His most infamous accomplishment in office was to quash the Office of Testing and Evaluation (OTE). Created in 1977 by Perry's boss, Defense Secretary Harold Brown, OTE was to be a much-needed independent check on Pentagon weapons procurement. This was a direct threat to the weapons developers inside Perry's office of research and engineering and conflicted with Perry's vision of beating the Russians by speedily incorporating new technologies into the American arsenal.

Perry initially succeeded in reducing the OTE's staff to eight, but even then the office raised embarrassing questions about some Perry-backed weapons. So he teamed up with defense industry

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executives to convince senior Pentagon officials to limit the office's role to review tests conducted by the individual services, and later, to have all review functions transferred back to Perry's Research and Engineering Office.

Perry also kept more and more defense projects outside congressional oversight by enlarging the Pentagon's top secret "black budget." Before coming to Washington, he and his company had prospered by working on black projects for U.S. intelligence agencies. "He liked black projects from a management point of view," recalls Robert Komer, former undersecretary of defense for policy. "He was terribly pleased to have Congress out of his hair." But pleasant as its programs are to administer, the black budget, according to some insiders, has become a hiding place for the biggest boondoggles around, such as the Stealth bomber and the forward-thinking program to have roving robots fight World War IV. (See "The Dark Secret of the Black Budget," Tim Weiner, May 1987.)

You'd hope that if he doesn't like extra testing or congressional oversight, he would at least encourage vigorous internal debate. "Perry didn't like brouhaha, he didn't like debate around the table," recalls Charles Myers, who worked under Perry as director of air warfare. "It's natural for these guys who come from private industry. They're used to working with people who share the common goal of making a profit. They don't realize that in government people have competing interests.... For weaknesses in proposals to surface, you need to demand fierce adversarial debate."

Creating controversy and making enemies, however, is not the Perry style. James Schear, executive officer of the Aspen Strategy Group, which Perry co-chairs with Brent Scowcroft, says Perry remains on good terms with people in the defense industry, the R&D community, and throughout the Pentagon—the very people a good defense secretary should rile. Adds Schear, "I honestly can't think of a single person who dislikes him."

Anne Wexler

Any cabinet secretary who mistakes the position papers of the Chamber of Commerce for the national interest would fit better into a Republican administration.

If a Democrat is elected president, Anne Wexler will likely rise to the level of her incompetence. The brilliant business lobbyist who served as Jimmy Carter's assistant for public liaison (chief cajoler of interest groups), is now eyeing a cabinet-level post, most likely Commerce or Transportation, according to friends and associates. As probably the Democratic party's most plugged-in and powerful female activist, she's got a good shot at it. If the president happens to be Michael Dukakis, whom she advises regularly, Wexler's chances will increase.

It would be a troubling sign if a Democratic administration put a corporate lobbyist in charge of a department whose major constituents are corporations, especially when the person, in the words of one Carter administration official, "has no philosophy, no view, no conceptual apparatus" about regulation, commerce, or economic policy. Her ideas on these subjects "depend on who gets to her last, and her daily friends and informational contacts are bigshots in the business world." Such "open-mindedness" on business matters is the perfect mind-set for a corporate lobbyist, but a cabinet secretary who mistakes the position papers of the Chamber of Commerce for the national interest would fit better into a Republican administration. On many non-business issues, Wexler's heart is in the right place. Giving her a business-related cabinet post, however, would be folly.

Wexler has had a long career of helping liberal causes. A tireless campaign organizer in the 1960s and 1970s, she excelled at building unlikely interest group coalitions—persuading construction unions to support antiwar Democrats, for instance. She employed her skills for Jimmy Carter in 1976 and landed a job in the Commerce Department, where she stayed until 1978, when she moved to the White House.

The new job required meeting with the myriad interest groups that demand White House attention. Wexler's predecessor, Midge Costanza, had let her liberal impulses upset the delicate interest

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group balance, once engineering a meatless White House buffet to celebrate Vegetarian Food Day at a time when cattlemen were complaining about low beef prices. The White House wanted Wexler, among other things, to patch things up with the business community. She did, becoming famous for her "Wednesday group," in which lobbyists, lawyers, and business people could share their concerns directly with Carter and his aides.

The day after Reagan's inauguration, she and two other Carter officials followed a well-worn path into the private sector, setting up their own lobbying firm. They soon added a Republican partner, Reagan confidant Nancy Reynolds, making the firm "administration-proof." She became, in the words of journalist David Owen, the "Rolodex Queen." She assembled a stable of well-heeled clients, including General Motors, the New England Electric System, Manville, and Aetna Life and Casualty, and quickly earned a reputation for being a shrewd political tactician.

She has used her skills to fight some seamy battles. Soon after starting her firm, Wexler represented Foothills Pipeline Company, a Canadian energy firm. Foothills was part of a consortium Congress said could build an Alaska natural gas pipeline, provided the costs weren't passed on to consumers until after the pipeline was up and running. When those costs skyrocketed and banks refused financing for the project, the consortium hired Washington's top Democratic power brokers—Robert Strauss (former chairman of the Democratic party), Charles Manatt (then chairman of the Democratic party), and Wexler. They lobbied Congress to let the consortium bill customers for the costs of construction—potentially $37 billion—even if the project were never completed and no gas delivered. The consortium hoped this would lure the banks back.

Consumer groups led by Ralph Nader counterattacked. Rep. Tom Corcoran, a conservative Republican, called the legislation "potentially the greatest consumer rip-off in the history of the United States." Wexler and her partners organized Alaska interest groups to pressure congressmen, and the consortium backed it up with $80,000 in campaign contributions. They won the vote, but, thankfully, the banks still didn't trust the pipeline enough to fund it.

Last fall, Wexler had a chance to demonstrate to skeptics that she still had a liberal core on business issues. The mid-term election had broken all records for campaign spending, with Senate candidates spending an average of $3 million and House candidates $300,000 each, to win their seats. PACs, most of which are affiliated with a business, accounted for a third of all that money. But a consensus was finally building to take some major action. The Senate was considering legislation, sponsored by Senate Majority Leader Robert Byrd and Senator David Boren, that would give public money to candidates who voluntarily limited their total campaign spending, thereby reducing the impact of PACs and reversing the fundraising wars that bid up campaign costs.

A group of Washington lawyers and lobbyists asked Wexler to join them in backing Byrd-Boren, but rescinded the invitation when they found out about Wexler's latest venture. The Washington representative of one of her firm's clients was head of a group called the National Association of Business Political Action Committees (NABPAC). Wexler agreed to help coordinate the group's efforts *to fight* Byrd-Boren. As an alternative, NABPAC offered a package of worthy little reforms—more financial disclosure, a higher limit on personal contributions—that left PAC power intact. While the Byrd-Boren forces were trying to stave off defeat of their bill, Wexler was helping NABPAC marshal Republicans for a filibuster.

Wexler's strong association with liberal causes, her Jewish-mother charm, and her pioneering as a woman in the world of big-stakes lobbying, gives her a reputation as more than just a deal-cutter for big business, a Robert Strauss with pearls. She promotes this image by publicly expressing her concerns about the problems of the Democrats, having lamented in 1983, "I worry about the impact of special interest groups." It's a legitimate point, so legitimate that Anne Wexler shouldn't be in the next Democratic cabinet.

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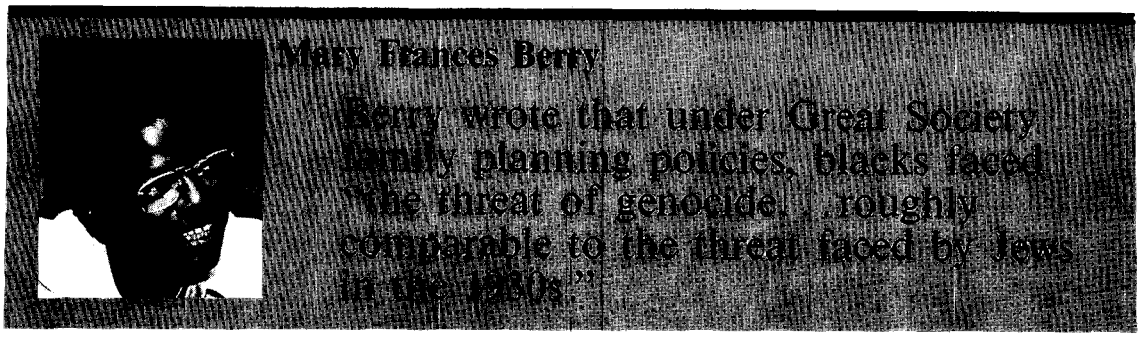

For a Democrat looking to appoint blacks and women to high government posts, Berry's resume is a special treat. She's an author, lawyer, academic, and experienced federal bureaucrat. She was assistant secretary of education in Jimmy Carter's HEW and is a member of the Civil Rights Commission, where she has led smart and merciless attacks against the clownish chairman, Clarence Pendleton. "Mary Berry's name will surely be on the list any Democratic president looks at when he's picking a secretary of education," says Roger Wilkins, the black former assistant attorney general. Insiders agree Berry also has a good shot at a top job in Health and Human Services or at the chairmanship of the Civil Rights Commission. But many of Berry's colleagues know that the scrappiness she showed in her battles with Pendleton has an ugly side—a vitriolic, uncompromising style she uses against both conservatives and liberals to promote her ideas, which are sometimes downright weird.

Although the assistant secretary job was mostly a figurehead position, she managed to earn a reputation as someone who simply couldn't be dealt with. "Abrasive and not interested in compromise" is how a former HEW official describes her; "a bull in a china closet," says another. Officials of various ideologies learned to avoid involving her in policy decisions out of fear she'd shatter consensus and jeopardize initiatives. "She found herself isolated. She so distrusted people as to not be trustworthy herself," explains yet another former HEW colleague. "The question was always 'What do we do about Mary?' Eventually they just sent her out on speaking engagements."

She wasn't much help on the lecture circuit either. In one speech, Berry embarrassed the Carter administration by praising major aspects of the education system in communist China. That students chosen by the government to receive higher education "must develop what they call socialist consciousness and culture," was no cause for criticism. "It would be both cheap and easy for us here in America to denounce that approach."

A momentary flight of harmless cultural relativism? Consider what Berry and co-author John Blassingame wrote in their 1982 book, *Long Memory: The Black Experience in America.* In one chapter she gave an interesting revisionist interpretation of Great Society efforts to promote family planning in black ghettos: "Although most historians have dismissed the claims of Afro-Americans that the United States had inaugurated a campaign of genocide against black people in the 1960s as unfounded, hysterical charges, the threat of genocide was real. It was roughly comparable to the threat faced by Jews in the 1930s." And on why American blacks remained cool to communism in the twenties and thirties: "Subjected to a massive barrage of propaganda from American news media, few of them knew about Russia's constitutional safeguards for minorities, the extent of equal opportunity, or the equal provision of social services to its citizens." The guys at the Ukrainian-American League must have loved that one.

Berry holds in contempt not only "white moderates who claim to be our friends but try to tell us how to think" but liberal blacks who don't happen to share her take-no-prisoners political style. A Washington reporter recalls, "She would call me up and just castigate me for reporting a David Stockman speech or a White House statement regarding the Civil Rights Commission. She uses the most hateful, obnoxious language, telling me I'm a black reporter so therefore I'm being irresponsible." Berry would rather burn a bridge than build one. She decided not to endorse the call by Civil Rights Commission moderate John H. Bunzel for chairman Clarence Pendleton to resign. Principle is all very nice, but to Berry having an easy target was more important.

Her bitter single-mindedness makes her not just unpleasant but incapable of guiding policy on difficult and controversial issues about which liberals themselves—not to mention the nation as a whole—have strong disagreements. In ad-

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vocating the standard civil rights remedies—affirmative action, busing, minority set-asides, comparable worth—she shows unwillingness to concede that some of the civil rights groups' ideas aren't completely on target. Berry last year tried to quash a Civil Rights Commission report that suggested discrimination was only one of many causes of the persistent gap between the incomes of black and white males. (She regularly attacks the research quality of reports she happens to oppose on ideological grounds, a practice for which Pendleton is justifiably assailed but Berry is not.) She acts as though anything opposed by conservatives is by definition laudable, a formula guaranteed to leave bad policies intact. Just because conservatives attack set-asides doesn't mean such programs *aren't* a lousy way to encourage minority entrepreneurship.

The folks at the University of Colorado in Boulder, where she was chancellor, know what can happen when Berry is put at the helm of a large organization. In 1977 English professors had decided that minority students should not receive credit for summer courses given by the Educational Opportunities Program (EOP) because the classes were "remedial." The faculty argued that "high-risk" minority students, though helped by the courses, were still entering fall classes seriously deficient in language skills.

Minority students and EOP officials protested. Berry and the English department reached a compromise under which the students would receive credit for the summer courses but would also have to take freshman English. Simple enough, until 25 minority students barricaded themselves in the dean's office. Berry, who had already left for Washington, came back to campus to negotiate. (She had told the university the federal job would last only a year and the U.S. Senate that she expected to stay in Washington indefinitely. Angry officials in Washington and Colorado were just discovering the conflicting statements when Berry flew back to Boulder to defuse the crisis.) Outside, according to the *Denver Post,* minority students led a rally to support the "struggling masses" inside, calling the course compromise "racist" and demanding "destruction of the capitalist system which the University of Colorado represents."

After meeting with the students, Berry announced a new policy: if the students would be nice enough to leave the building without tearing it apart, the university would grant all their demands—no freshman English requirements; EOP, not the English department, gets control of the classes; amnesty for the protesters. English professors were beside themselves with anger and drew up a petition demanding that she be censured. But Berry was already back in Washington, leaving the university to clean up the mess.

Zbigniew Brzezinski

During the Carter administration Brzezinski was the master of counseling bold action even when reality dictated another course.

Brzezinski? What newly elected Democrat would be crazy enough to appoint the guy responsible for Jimmy Carter's national security policy? All those who play the credibility game. It is common practice for a president to appoint someone who represents the opposite wing of the party in order to gain credibility for a particular policy. No one is more despised by right-wing Republicans than Henry Kissinger, that proponent of (and they spit out the word) *detente*. But as head of Reagan's bi-partisan commission on Central America, Kissinger was able to give the report credibility with groups beyond the right wing of the party and still come out tough on the Sandinistas. Brzezinski has positioned himself well to be useful to a Democratic president by maintaining a continuous barrage of conservative opinion pieces, speeches, and books. Painful as it may be—"the whole topic stirs up an animal I thought I had put down," says former State Department spokesman Hodding Carter—we cannot be reminded too often of just what a bad choice Brzezinski would be.

First, right now he is just about in sync with the right wing of the *Republican* party. He supports Star Wars and the contras, is suspicious of even Reagan's arms control negotiations, and has heartily endorsed the administration's efforts to

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use American ships to protect Kuwaiti tankers carrying Japanese oil from attacks by Iran—all to keep the Soviets out of the Persian Gulf. (I say "right now" he's too conservative because in the beginning of the Carter administration he was quite the advocate of a "multi-polar" worldview. But when it became clear that such a view wasn't politically popular, he returned to his natural fixation on East-West relations.)

During the Carter administration he was the master of counseling "bold" action to be "tough" on the Soviets even when reality dictated another course. He argued for sticking by the Shah long after it was clear the Shah had lost his nerve and his internal support. He pushed plans for an Iranian military coup, while reports from the field said the military wasn't prepared to stage one. Even his support of the hostage rescue mission was rooted in geopolitics. Fourteen hours before the mission began, Brzezinski wrote, "If it is a success it will give the United States a shot in the arm which it has needed for 20 years." On human rights, "except for one speech on Human Rights Day at the White House, Zbig was nothing but a roadblock," recalls Patricia Derian, the assistant secretary of state for human rights.

In theory, any Democratic administration could have a token adviser to habitually boil down all international situations into an East-West struggle—sort of a hard-line ombudsman. But such a role requires a certain self-control, a maturity Brzezinski does not possess. This is a man, according to Hamilton Jordan, so insecure that he would put positive press clips on himself into the president's "in" box. Even in his own memoirs, he didn't bother to hide his own petty insecurities, sprinkling the pages with bitter playground comments. In *Power and Principle*, he mentions that Cyrus Vance "had a way of . . . blinking his eyelashes" in the presence of the president. Walter Mondale, another Brzezinski foe, had a "loving way he would comb his hair in front of the mirror." West German Chancellor Helmut Schmidt wore elevator shoes.

Even after Irangate, nobody is looking back wistfully to Brzezinski's tenure as NSC chairman. Let's just say he was no "honest broker." Indeed, he relentlessly exploited the main built-in advantage of the office—instant access to the president—to waylay his opponents. He put himself in charge, for example, of writing reports summarizing NSC meetings for the president. But he convinced the president that in order to control leaks he should not let those reports circulate among insignificant players like the secretary of state, who had also attended the meetings. This allowed Brzezinski to put his own spin on other people's arguments, as Vance would often discover when he finally got a copy of the report—after Carter had made his decisions, of course. "Mr. Vance did not understand until very late that it was total war," Hodding Carter says.

Brzezinski even proved willing to damage his own adminstration in order to further his policy goals. Take, for example, the 1978 policy fight between Vance and Brzezinski over events in the Horn of Africa. Brzezinski believed the presence of Cuban advisers in Ethiopia during a border dispute with Somalia should hinder the SALT II talks. Vance was adamant that it was a local issue that could be worked out in regional negotiations and that it was absurd to endanger arms control over such a minor matter. Carter listened to the arguments, then sided with Vance, and made the position public. Later, on "Meet the Press," Brzezinski blurted out that the Soviets were engaged in an effort "to encircle and penetrate the Middle East [and] to stir up racial animosities in Africa" and implied that these transgressions should be linked to SALT II. Carter was furious when headlines in *The Washington Post* and *The New York Times* the next day announced both a tougher American attitude towards the Soviets and a serious dispute within the administration. Brzezinski, a man obsessed with the need to present a tough image to the Soviets, had made his own president look indecisive and weak. □

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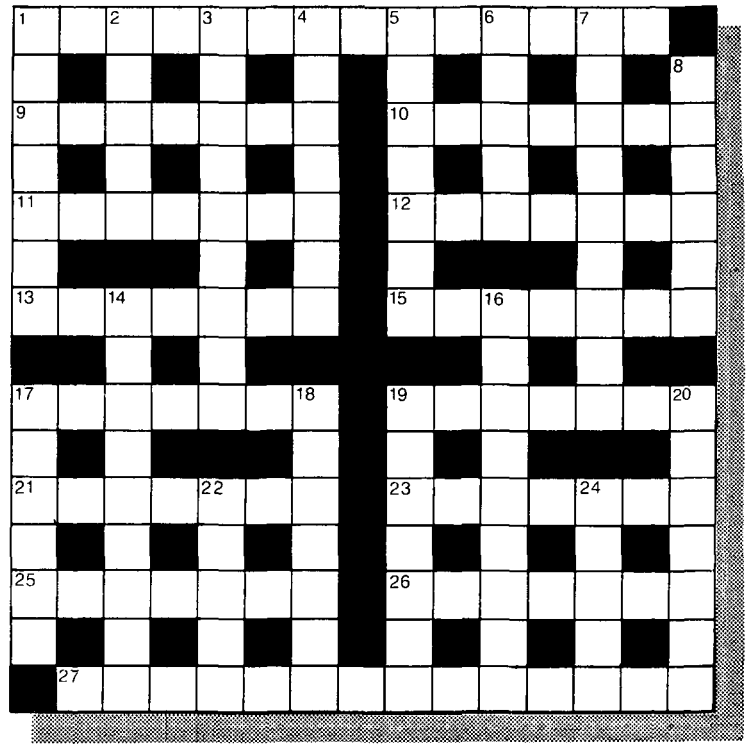
POLITICAL PUZZLE

by John Barclay

The numbers indicate the number of letters and words, e.g., (2, 3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.



ACROSS

1. Poor Roman book in tin occupies a house this Fall. (4, 10)
9. Disturbed G.I. rents defense mechanism. (7)
10. Re: merit scattered round early vessel. (7)
11. Standing still in wildly irate following. (7)
12. Outsider puts it in part of headdress. (7)
13. Bad Bible overdose got legislators in line. (7)
15. Passes movie houses? (7)
17. They run under roof and arranged railroad feast. (7)
19. Being led around in fog is least harsh. (7)
21. Sweet from West Coast town around border of Arizona. (7)
23. Significant lack of furniture? (7)
25. Substitute North Dakota in part of bad reputation. (5, 2)
26. Us dames improperly taken on. (7)
27. Tote James around for decisive factor in 1 Across.(6, 8)

DOWN

1. Irresponsibly list Abe as subhuman. (7)
2. Bring up skates, we hear. (5)
3. Arrange the filing for nocturnal activity. (5, 4)
4. Set up a dimmer sea creature. (7)
5. Aborigines made a vain set. (7)
6. Stumbles into passages? (5)
7. Confused Rhee voter across the ocean. (4, 5)
8. Suit centers? (6)
14. Loosely-fit bra—cue to show cleavage. (9)
16. Understands peculiar taste role. (7, 2)
17. Bigot could be artistic without it. (6)
18. After the French in peaceful state. (7)
19. Western State quarterback? (7).
20. Date specification makes you steady. (7)
22. Fourth Estate found in welcome diagram. (5)
24. Aim BB carefully to hit animal hero. (5)

Answers to last month's puzzle:

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ON POLITICAL BOOKS

Blip, blip, and the Mexico City police chief owns a mansion in Connecticut

American Bank Loans Line the Pockets of the Third World's Elite

by S.C. Gwynne

The most perplexing—and frightening—aspect of the foreign debt crisis is neither the size of the Third World's IOUs nor the banks' mystifying rationale for having shipped all that money out in the first place. Nor is it even the bizarre geopolitics of the Western governments that allowed them to do it. It is rather the little-understood—and, until recently, poorly documented—phenomenon of "flight capital," the idiom for the electronic sleight-of-hand by which some $200 billion of the $450 billion borrowed from 1975 to 1985 by the 18 largest debtor countries landed in foreign accounts of Third World nationals, unchecked, unregulated, and irretrievable. The more we learn about flight capital, the more it is apparent that what bankrupted most of these countries was their own citizenry absconding with foreign exchange reserves, often abetted by the same creditor banks that later screamed when forced to reschedule debt. For all these reasons, R.T. Naylor could not have chosen a more apt subject for his new book.*

What Naylor's numbers reveal is theft on a scale unprecedented in history; Nazi Germany's looting of Europe is insignificant by comparison. In Latin America, for example, some $100 billion fled to offshore havens between 1979 and 1983. By 1984 Venezuela alone had external assets of $35 billion—more than its total foreign debt. In Mexico, the scale of corruption and capital exodus is stupefying. Union bosses are alleged to have stolen some $1.5 billion, apparently following the example of government industries, which drained an estimated $15 billion from the national treasury during Lopez Portillo years—roughly equal to what the Shah's entourage pulled out of the Iranian National Oil Company in the 1970s. It gets worse. President Lopez Portillo's advisers estimated that during the three years prior to August 1982, a minimum of $45 billion was drained from the country's dollar reserve—showing up in the form of $31 billion in U.S. real estate and $14 billion in U.S. bank accounts. Mexico City's $65-a-week police chief—to take just one celebrated example—was found to have funneled enough money out of the country to buy a $2.5 million mansion in the United States.

Where did all the money go? How did it get there? To understand, you must first know how foreign loans move to a country from a multinational bank, and how they then sneak out the back door. The entire transaction takes place in New York City, since virtually no dollars ever leave this country, and all dollar accounts are held ultimately in New York. "Flight capital" means nothing more than electronic flight from one account to another at one of New York's big banks. Blip, blip, that's all.

Let's say that Mexico, which needs dollars to pay for its imports—no one in his right mind would take a peso in exchange for anything outside of Mexico—borrows $100 million from Citibank. When Citibank makes the loan, it "disburses" funds by taking $100 million out of its own account and crediting Mexico's account with Citibank for that amount. Now the sovereign government of Mexico has full use of those dollars. It can, in effect, write checks against the Citibank account to pay for tractors from Peoria or electronic equipment from Japan.

Because dollars are so precious to Mexico, and because the government has to pay them back, it must carefully husband its accounts at Citibank so that the checks written pay only for useful products or raw materials. Any Mexican who wants to trade pesos for dollars has to have a good reason. That's the theory, anyway.

Now, enter the Mexican police chief. Because he knows somebody at the finance ministry, or because he has paid a bribe, he can take his ill-gotten pesos to the central bank and exchange them for dollars. Once approved, it is a simple transaction. The government instructs Citibank to debit its $100 million account for, say, $2.5 million, and transfer the money to another account at Citibank, this time in the name of a

S.C. Gwynne is the editor of California Business *and the author of* Selling Money: A Young Banker's Firsthand Account of the Rise and Extraordinary Fall of the Great International Lending Boom.

**Hot Money and the Politics of Debt.* R.T. Naylor. *Simon & Schuster, $18.95.*

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Swiss bank. Blip, blip, and the money's in that Swiss account, under the name of the chief. Although the dollars stay right there, the Swiss bank simply "books" them to its Zurich branch, which means that the Mexican police chief's name is no longer visible to the New York authorities (all they can see is the account of a Swiss bank). When the police chief is ready to buy his house in Connecticut, he instructs the Swiss bank to pay the $2.5 million into the seller's account, probably with another big New York bank (or, again, at Citibank).

That is substantially the way all electronic flight capital works, whether the "offshore" bank is Swiss, Panamanian, or Singaporean, whether the money is legitimately earned or stolen. The net effect: the government of Mexico still owes Citibank the dollars, for which it must sweat blood and export enough oil to pay it off; but the dollars are now invisible, safe from regulatory authorities in Switzerland, in private hands, owed to no one, locked up in a house in the American suburbs. In one form or another, that's how $45 billion got blipped out of Mexico, never to be seen again.

For Naylor, however, "hot money" entails more than just redirecting debt flows to Third World countries. His purpose is to show how the ease of capital movement through offshore accounts has become the chief supply line and hoarding mechanism of international criminals from Hong Kong to Uruguay and even the Vatican. Electronic offshore banking is what allows the modern corrupt dictator to steal and then hide his country's dollar reserves. It will take years, perhaps decades to sort out Marcos's stash, and he's just the latest member of an expanding club of corrupt dictators who have stolen money from their countries. Rafael Trujillo, for example, made off with an estimated $140 million from the Dominican Republic; Juan Peron stuffed at least $140 million into Swiss accounts; Haile Selassie's legendary $6 billion hoard may be grossly exaggerated, but he was still able to withdraw $600 million from his own accounts to help finance Ethiopia's war with Somalia; the Shah of Iran and Mobuto Sese Seko of Zaire managed to expatriate huge amounts of cash to numbered accounts in Europe.

The problem with Naylor's book is that he has buried his big idea—what really happened to all that Third World debt—in a lengthy, well-researched catalog of the big-time international financial hijinks of the past decade. Although he is clearly attempting to link all of it together under the rubric of hot money and flight capital, what we end up with is a wild, unfocused tale of shady doings at the Vatican, how the Moonies moved into Nicaragua, how a secret Italian organization called P-2 seems to be trying to take over the world, how the Argentines used secret accounts in Uruguay to spirit dollars out of their own country, how Turkey figures in the world drug trade, the history of Hong Kong as an offshore center, the influence of the Triad gangs, why the Cayman islands are the destination of drug money in suitcases, how secretive the Swiss are and how criminals take advantage of them to disguise money, how Liechtenstein offers specialized, secretive, shell companies, how Meyer Lansky started the whole thing back in the 1930s, and how Bernie Cornfeld was the first modern practitioner of "peekaboo" finance. Most of these subjects are intriguing by themselves; together it's difficult to tell what to make of them.

He strays so far, in fact, that one simply loses track of what he's trying to say, other than that there are a lot of financial shenanigans going on and that the criminals are smart enough to use modern bank technology to hide their assets. I do not find the latter either compelling or new. Much of it was covered by Penny Lernoux a few years ago in a similarly peripatetic book on the Mafia-Vatican-big-banks-Third-World-governments-drug-traffickers connection called *In Banks We Trust.* Naylor does not seem to appreciate what an excellent idea he had; he should never have strayed from the Mexican police chief, from the idea that loans made by American banks now line the pockets of the Third World's upper classes.

Neither does Naylor really explain how flight capital works. There's a lot of shadowy movement, but he rarely penetrates below the depth of the daily newspaper story, which is the source of much of his research, and even more rarely traces the money trail. He also writes as though the money is actually in those places, which, as described above, it almost never is. To his credit, he does give some good, hard details on the offshore branches in the Bahamas, which since the advent of International Banking Facilities in the U.S. (onshore "offshore branches") have become little more than receptacles for cash proceeds from drug deals that seek an old-fashioned laundering before entering the banking system in New York.

And, though the book was evidently painstakingly researched, it is seldom thoughtful. Naylor tells us what hot money does, not what it means to the world economy nor, as promised on the book jacket, what it does to me. □

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Where there's a Will there's a Bartlett's

The Lightweight Philosopher

by Sidney Blumenthal

George Will once compared himself to Walter Lippmann, the model philosopher-columnist, for his "various relationships with presidents." In *Statecraft As Soulcraft,* Will wrote: "My thesis is that the most important task confronting Americans as a polity is, in part, a philosopher's task." With little reluctance Will has wrapped himself in the philosopher's mantle and taken up a relationship with President and, especially, Mrs. Reagan. He has served the Reagans as a social liaison, as a political adviser and, for the First Lady, as an occasional luncheon companion. Will has privately boasted of his association with the president's wife to distinguished journalists, who were taken aback by what they felt was crass status-seeking. Perhaps Will believed that the personal connection to Nancy Reagan was a measure of his standing at the apex of the Washington pecking order. Whatever his motivation, his tete-a-tetes with Mrs. Reagan at Galileo's restaurant on P Street or the Jockey Club in the Ritz-Carlton Hotel or the Middleburg Inn in Virginia hunt country do not certify him as a Lippmann.

While the real Lippmann may not have been all his admirers have said, he still towers over his pretenders. Unlike Lippmann, Will has proved his expertise in nothing in particular. He has written no original work of moral philosophy recognized by moral philosophers, as Lippmann did in *A Preface to Morals.* Will has made no original contributions to the study of public opinion or foreign affairs. He has written no book based on actual observation of events, as Lippmann did in the case of the Scopes trial. Nor has Will helped promote the ideas of a more interesting mind, as Lippmann did with Keynes's in *The Method of Freedom.*

Will's brief philosophical work, *Statecraft as Soulcraft*, with its clotted mass of quotations, reads in long stretches like Monty Python's shooting script of *Bartlett's*. The comic effect was underlined by Will's affectless piety. One random paragraph, for example, was filled with the sayings of David Hume, Benedict Spinoza, William Penn, Adam Smith, and Thomas Jefferson. The preceding paragraph cited Alexis de Tocqueville, William Blackstone and Oliver Wendell Holmes. Though Will obscured his thesis in *Statecraft As Soulcraft* with promiscuous ancestor worship, it could be found by a dogged reader: government should act as society's moral tutor. This ground idea has enabled him to sustain a running commentary far more intellectually coherent than most columnists.

Since Will appeared on the scene, he has presented himself as a passionate advocate, a serious man engaged with serious things. A recent advertisement for *Newsweek* showed Will as he obviously wants to present himself, in his

**The New Season: A Spectator's Guide to the 1988 Election.* George F. Will *Simon & Schuster, $19.95.*

Sidney Blumenthal is a staff writer for The Washington Post.

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study, seated at his antique desk, Waterman fountain pen in hand, bone-china cup and saucer nearby, with thick volumes of Churchilliana resting on the bookcase. With the title of his new book, *The New Season: A Spectator's Guide to the 1988 Election*, he no longer describes himself as the serious man, but as a casual "spectator," scorecard in hand, simply delighted to observe the competition. Baseball is indeed a wonderful game, and Will has rightly called it "noble," but his metaphor trivializes what he wishes to speak of solemnly and withdraws the gravity he implicitly imputes to himself.

The underlying message of the baseball metaphor is that there is no distinction between being a citizen and being a fan. Politics, in his book, is a cross between a spectacle and a sport. Will suggests that the ultimate claim of the American political system upon our participation is not natural law or hallowed tradition. Rather, it is merely pleasure for its own sake. He writes in his final paragraph: "A philosopher once said: 'People have more fun than anybody.' Quite right, and Americans have more fun than any other people, in part because their politics—their collective conversation—is so astonishingly amicable and, all things considered, intelligent." But the word "fun" gives away a fundamental problem, which is not that Will inflates his subject when he borrows others' phrases, but that he deflates it when he uses his own. In *The New Season*, spectator Will is Walter Lippmann as Mel Allen.

Much of this slight book is filled with commonplaces that can be gleaned from the daily newspaper: "In 1980 the nation was ripe for what Republicans do best. It was ripe for a campaign condemning the government." Or: "It is problematic for a party to come off eight years in power and present itself as an agent of change." Or: "A theme of this book is that politicians' words—the most public acts of public people—matter and should be taken seriously by serious students of politics." Most annoying of all, Will puts forth this boilerplate as if it were derived from a close reading of Aristotle.

Or others. Will stands like a butler at the door, announcing the entrance of distinguished guests: "No one knows more about American politics than Michael Barone...Now comes naughty Norman Ornstein to use history to rehabilitate Congress...Chris Matthews, a prodigy among Democratic political operators...Horace Busby, a wise political consultant whose pocket calculator never sleeps...." Will presents their insights without acknowledging their differences. His authorities remain consistent, but he does not.

Will has done this before. In *Statecraft As Soulcraft* he argued that American conservatism, if it were to endure, required a more Burkean deference to established custom and institutions. In particular, he suggested, the right-wing ought to take a more benign attitude toward the welfare state. But, Will claimed, what was also needed was a sense of moral absolutes. His tale of Western civilization's fall described the supplanting of worthy "ancients" such as Aristotle by cynical "moderns" such as Machiavelli, categories entirely derived from the work of philosopher Leo Strauss, but unacknowledged. The wholesale lifting of Strauss's semantics, without citation, by a writer who made a fetish of quotations, was a telling sign of Will's authenticity and originality.

Will's argument depended upon meshing Strauss and Burke. Yet Strauss, in *Natural Right and History*, cast Burke into the netherworld of despised moderns as one who "paves the way for the 'historical school.' " Burke's appeals to the glorious past undermined moral absolutes that, according to Strauss, existed independent of history. In *Statecraft As Soulcraft*, Will failed to face the central conundrum he had raised. If he had openly discussed Strauss, the problem of Strauss's and Burke's basic incompatibility would at least have been apparent. But Will neglected to acknowledge one of his principal sources. Instead, he tried to reconcile the irreconcilable by gratuitously assigning Burke to the "ancients." But this merely revealed Will's frequent substitution of bald assertion for actual scholarship. In *Statecraft As Soulcraft*, the consequence was a shambles. As a work of philosophy, Will's book

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was unconvincing; but in explaining his continuing approach to column-writing it was a success.

For all his quotesmanship, Will seems generally unfamiliar with much of the terrain of political science. *The New Season* neglects the difficult questions of, for example, dealignment, decomposition of the party system, the permanent campaign and its effects on governing, the influence of money, and the role of rising and declining elites. Many topics, in the meantime, receive superficial treatment: Will argues, without any supporting empirical evidence, that political advertising cannot sway elections. Then he quotes: "Mr. Dooley, Finley Peter Dunne's fictional barkeep, 'Politics ain't beanbag.'"

As Will sees it, the Republican and the Democratic parties are both stupid parties that fail to measure up to the standards of the Will party. (Or, more exact, the Will team, comprised completely of spectators.) The Democrats, among their other vices, are soft on communism. And the Republicans, among their other vices, are soft on communism. To Will, the Democrats must shed their permissive attitude toward immoral behavior and gluttonous constituency groups. Then, they will gain back the voters they lost to Reagan. The Republicans, for their part, must relinquish their distaste for government and embrace the welfare state. Then they will keep the voters Reagan attracted. Both parties must be more resolute in confronting Moscow. If they follow this advice, they will move closer to the center of gravity: the Will party.

In spite of Will's absolutism, his prospectus of the upcoming campaign remains fundamentally cautious. He does not review any of the candidates; there never is heard a discouraging word. It is not so much that he is generously giving the candidates a clean slate, as he is giving himself one. The author of *The New Season* is attempting to show that he is a man for all seasons, particularly the one after Reagan.

Mostly, though, Will treads water, recycling the rhetoric of *Statecraft As Soulcraft*: "The infantilism; impatience; hedonism; inability to defer gratification—that produced the cultural dissolution of the Sixties helped give rise to the inflation of the Seventies." This coarse relegation of an economic trend—inflation—to a state of mind—infantilism—is curious. Inflation, apparently, had nothing to do with the financing of the Vietnam war and the oil shocks. Will's passionate support of the Vietnam war, which precipitated the inflation of the 1970s, would seem to deprive him of capital to spend on this issue. But he does not pause.

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His premise, if his explanation of inflation is to make any sense, must be that the private is the public: what happens in the bedrooms is directly reflected in politics and the economy. But one wonders, if there is a relationship between "a collapsing capacity for discipline" and America's fall from grace, whether it could be seen in statistics on personal turmoil. Will, however, offers assertion, not illustration.

In *The New Season*, Will more clearly reveals than in any other work that his analysis flows from a priori assumptions. Almost invariably, his conclusions are imposed at the beginning; his logic, or more accurately, his logic-chopping, follows. Will's method is inimitable. On the contras, for example, he states his own position: pro. Then he quotes Lord Salisbury: "If you believe the doctors, nothing is wholesome; if you believe the theologians, nothing is innocent; if you believe the soldiers, nothing is safe." Finally, he holds the Democrats up to scorn: ". . .it recently has seemed that if you believe the Democrats, nothing is vital." Thus the Will method, applied in case after case: first the verdict, then the trial.

To avoid being regarded as agents of appeasement, Will urges the Democrats to support the contras. Earlier in the book, he writes, "The Iran-contra affair involved various attempts to evade or subvert laws, established procedures, and intragovernmental traditions (thin reeds, these) of civility." But which laws?

Will's comment on the evasion and subversion of law is on the order of Vice President George Bush's passive and inspecific remark: "Mistakes were made." A bit of the scandal's background may cast some light on Will's attitude toward facts when they contradict his assumptions.

In January 1984, the CIA mined the harbors of Nicaragua without informing the Senate and House intelligence committees. As a result, the toughest version of the Boland amendment was passed by Congress, saying that "no funds available" to any agency "involved in intelligence activities" could be used to aid the contras, "directly or indirectly."

After the Iran-contra scandal was exposed, in May 1987, Will launched an attack on the Boland amendment—"unconstitutional in intent; pseudo-legal static in the system. . .a non-law"—far more vicious and emotional than any criticism he ventured about the scandal's participants. The conflict between the executive and legislative branches Will decried was precisely due to the administration's breach of "established procedures," to which the Boland amendment was the response. And the contra-diversion was precisely intended to evade this measure. If the Boland amendment was "a non-law," then what laws does Will believe were evaded and subverted? He does not say.

As with the politicians Will set out to study, his words must be taken seriously. Two words are key to his thought—"decent" and "civility"—his shorthand for different political mentalities. "Decent" arises in his language as something bad about Democrats: "There hangs about the Democratic party an aura of moral overreaching. A symptom is the use of words like 'decent' . . .as in 'a decent society requires this or that'. " "Civility," according to Will, is what will be restored when the Iran-contra scandal is swept away. But the meaning of these words, as Will uses them, is broader.

Civility is manners masquerading as morals, a category of form referring less to the rule of law than to the rule of etiquette; it is more an unspoken social, rather than ethical, code. Correct behavior may make the good possible, it is not goodness itself.

By contrast, decency, which Will belittles, actually *is* about morals. And there is some history behind the word and its content. The introduction of the word "decent" into the political vocabulary can be attributed to George Orwell. In his essay on Charles Dickens he defined the essence of the great novelist's sensibility as "decent." In an age of totalitarians, Dickens's message was still contemporary. Orwell wrote: "The central problem—how to prevent power from being abused—remains unsolved. . . .'If men would behave decently the world would be decent' is not such a platitude as it sounds." Since Orwell's use of the word, a number of liberal intellectuals and reformers have taken it up. "Decent" connotes a tempered moral position, one that carefully avoids righteous absolutism; it also suggests compassion and patience. The word is precisely the opposite of elite condescension, the opposite of hauteur.

Oddly, Orwell's essay on Dickens was cited by Will in his 1981 column on the Royal Shakespere production of *Nicholas Nickleby*. "Dickens's message," wrote Will, "which found an avid audience on Broadway, is that the worthiest cause is kindness, and it is timeless." But, in his preference for civility over decency, Will demonstrates that Dickens—and Orwell—did not make a lasting impression on him.

Will's tone of infallibility suggests that his expertise can be reliably followed on any subject from rockets to rock. He never acknowledges that he has changed a single imperious opinion. In

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his self-revisions, offered as fresh revelation, Will must be banking on his readers' amnesia.

For example, just a year ago, in *The Morning After*, Will proclaimed the Reagan presidency a success. At home, Reagan was "saving" the welfare state "by tempering its excesses." Abroad, Will wrote in a 1986 column, Reagan achieved his "finest hour" at the Reykjavik summit, securing for himself "a high place in history." These accomplishments, he wrote in the book, translated into Republican control of the White House as far into the future as the human mind could contemplate: "At the presidential level, realignment is a fact."

As 1988 approaches, Reagan's fall from the Will firmament has been swift. In *The New Season*, he writes without a trace of self-consciousness or irony: ". . .even allowing for the genial hyperbole of American politics and journalism, Reagan's consequences, although substantial, have not been as bold—as revolutionary, if you must—as those of FDR or LBJ."

Then there is Will's dauntless assessment of Bruce Springsteen. In *The New Season* Will asserts that Springsteen's "songs of stress, vulnerability, and precariousness are counterpoints to the Morning in America goo of overripe Reaganism."

Consider now the Will of 1984, who tried to claim Springsteen for the Reagan campaign, an effort that resulted in Reagan's approving reference to Springsteen in a stump speech. The George Will of 1984 wrote: "Springsteen's fans say his message affirms the right values. Certainly his manner does. . . . He is no whiner, and the recitation of closed factories and other problems always seems punctuated by a grand, cheerful affirmation: 'Born in the U.S.A.!'. . . .There still is nothing quite like being born in the U.S.A."

Never does Will weigh empirical evidence that might ruffle his dogmatic confidence. One seldom feels in the presence of an independent mind, one that considers factual counter-arguments or unexpected events. Typically, he ascribes unworthy motives— "infantilism," etc.—to those with whom he disagrees. *The New Season* is no departure for Will, but is written as if it were further proof of his 1969 doctoral thesis: "A specter is haunting American liberals, the specter of confident politics. . .the kind of open mind the liberal favors is a political menace." Will's method is unyielding—assertion, appeal to authority, snide dismissal of an opposing view. And so he continues his furious assault on the "menace" of the "open mind" and the "moral overreaching" of the "decent." □

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POLITICAL BOOKNOTES

Man of the House: The Life and Political Memoirs of Speaker Tip O'Neill. Tip O'Neill, with William Novak. *Random House, $19.95.* Tip O'Neill's memoir is the kind of book you can imagine Ronald Reagan writing—informal, gossipy, full of funny anecdotes and reminiscences, short on detail and analysis. It covers 50 years of American politics, with some fascinating insights. But it should be read more for entertainment than enlightenment.

It is not a deeply philosophical book, but here and there O'Neill does set out his fundamental political philosophy. He comments, "I began my political career in 1936, on a slogan of 'work and wages.' Today, more than half a century later, I'm still a bread-and-butter liberal who believes that every family deserves the opportunity to earn an income, own a home, educate their children, and afford medical care." He describes a letter written to him early in his congressional career by his mentor, Sister Agatha, a former teacher from his parochial high school. She had learned that he wanted to leave Congress to run for governor of Massachusetts. She wrote him, "I don't think that's a good idea. You have a certain softness about you which would make it difficult for you to say no to anyone. That's a fine quality, but it would get you into a lot of trouble if you were governor. Washington is the place for you, where you can do so much good for people in need all over the country."

Moreover, O'Neill does not describe in analytical detail how he ran the House during his ten years as speaker, what the O'Neill system was, or why he was a strong speaker. He does indicate his own operating style, in some ways similar to the president's: "The details of legislation have never been my strong suit, which is why I've always left them to other people. My own skills had more to do with powers of persuasion and with getting things done. While other members drew up the laws, I was like a shepherd who knew how to move legislation forward and get it passed. While I couldn't always cite chapter and verse, I always knew what a bill meant, what it stood for, and which members were most likely to support it."

But if O'Neill does not provide the deep insight of the ultimate insider, he does provide more than enough interesting historical tidbits, observations about important political players, and good, pithy stories to make it a good read. Among the nuggets: He, in 1959, suggested to presidential candidate Richard Nixon, who was looking for campaign help in Massachusetts, "There's another guy you might look up. He's a lawyer in Boston, a sharp kid. His name is Chuck Colson." O'Neill also tells a revealing story about his selection as minority whip in 1971 by Majority Leader Hale Boggs and Speaker Carl Albert—the decision that enabled him to become speaker six years later. After Albert vetoed Dan Rostenkowski for the post, Boggs and Albert reportedly settled on Hugh Carey of New York. But, O'Neill tells us, "little did I know that John Rooney and Jim Delaney, two senior and powerful members of the New York delegation, had been in to see Albert. 'Don't pick Carey,' they told the speaker. 'He's a troublemaker and a publicity seeker who takes credit for everything we've done. If you appoint him, don't ever expect any loyalty from us.' "

The only guy that Albert and Boggs could then agree on was Tip O'Neill. Thus did Rooney and Delaney unwittingly shape both the leadership in Congress for more than a decade and the governorship of New York, which Carey later captured.

O'Neill also offers sharp and candid observations about politicians, from Robert Kennedy (they didn't get along; he saw and did not like the ruthless side of Kennedy's personality), to Richard Nixon (whom he viewed with particular disdain as a lousy poker player), to legendary Boston pol James Michael Curley (described with both awe and amusement), to Gerry Ford (unsurprisingly affectionate), to Jimmy Carter (surprisingly affectionate), and Ronald Reagan. While showing some fondness for Reagan and his personality, O'Neill attacks him and his philosophy with vigor and some animus. But the bitterness is even greater for Carter aide Hamilton Jordan, whom O'Neill referred to as "Hannibal Jerkin." Jordan, of course, was aggressively ignorant about Washington politics and openly disdainful of the speaker (O'Neill says that Jordan believed a House speaker was "something you bought on sale at Radio Shack"), earning permanent ingratitude as a result.

—Norman Ornstein

The Third Generation: Young Conservative Leaders Look to the Future. Ben Hart, ed. *Regnery Books, $17.95.* The biggest moment in Ralph Reed's life came when he saw the film "Patton." He was a freshman at the University of Georgia, sitting in a packed movie house, when up on the screen Patton told Ike that he wanted to roll the Russians then and there. That, Reed remembers, "elicited a spontaneous and uproarious standing ovation from the students in the audience. For several minutes the theater was the scene of near pandemonium. I became convinced at that moment that a political earthquake was taking place within my generation, a shift in values and attitudes that would have major consequences for the future direction of the nation." Ralph Reed, "most likely to succeed" in the senior class of 1979 at Stephens County High School in Portsmouth, Virginia, class president, varsity debater, and junior assistant scoutmaster, had come of age.

There are dozens of stories like this in Hart's book. He has carefully transcribed and edited the right-wing pep rallies he hosts twice a month at the Heritage Foundation, adding a handy list of recommended reading (Lord Acton, David Hume, Phyllis Schlafly), plus a complete biography of his movement's very best and very brightest.

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The result is a portrait of young conservatives and the frightening incidents that pushed them right.

Consider what happened to Dinesh D'Souza. "Originally from Bombay, India, he did not consider himself political when he first arrived on the Dartmouth campus. But then he received an invitation to a college-sponsored dance. When he arrived, he found that the men were dancing with the men and the women with the women." Today Dinesh works for the White House.

These are passionate young men and women, always on the moral offensive, ready to take on liberalism wherever they find it. But there's nothing stuffy or pretentious about them. According to his Third Generation bio, Adam Myerson, the editor of the Heritage Foundation's flagship, *Policy Review*, is "willing to publish a risky or a zany article, as long as the thesis is supported by hard data and sound reasoning." The fact is, as Gregg ("the most promising young journalist of his generation") Fossedal puts it in the book's opening chapter: "Culturally speaking, surf's up in America." This is a golden era for young conservatives who want to cut loose intellectually. "Outrageousness, for one thing, is back. . . . Movies designed to raise our consciousness are bombing, while people line up for pure entertainment, such as 'Back to the Future,' 'Top Gun,' and anything with Rodney Dangerfield, the comic who has everyone laughing."

Just listen to the kind of ideas that get tossed around at a typical meeting of the Third Generation. Laura Ingraham, distinguished alumna of the *Dartmouth Review*, leads a fascinating discussion in chapter three ("Going on the Moral Offensive") on why the right has to borrow from the tactics of the radicals of the sixties. For example, liberals use the specter of Joe McCarthy to make it "impossible for conservatives to point out that there are people in this country who are, in fact, working in concert with the enemy." She wants the right to pick a bogeyman of its own, someone as big and as bad as McCarthy to put liberals on the defensive. Her suggestion? Get this: Sydney Schanberg. Laura now works in the White House.

You may laugh, but this kind of thing goes over big in the conservative hinterland. *The Third Generation* was published by Regnery Gateway, the right-wing press, apparently because the Heritage Foundation agreed to buy up most of the first run itself. They plan to use it as a fund-raising tool.

Ben Hart and Ralph Reed, Dinesh D'Souza and Laura Ingraham, the young and the restless of the New Right, are the conservative movement's aces in the hole. Forget Irangate. As Pat Buchanan testifies on the dust jacket, the real political story of the decade is "how Ronald Reagan robbed Teddy Kennedy, Gary Hart, and the 'Party of Compassion' of tomorrow's best political minds."

The First Generation of conservatives, you see—men like Friedrich Hayek, Russell Kirk, and Whittaker Chambers—had only limited impact. They were intellectual groundbreakers, but they didn't understand politics and power. They were Goldwater men. The Second Generation learned from the mistakes of the first, building think-tanks, raising money, and organizing politically. Norman Podhoretz is a Second Generation man. So are Jerry Falwell and Richard Viguerie, and of course Heritage Foundation grand poobah Ed Feulner. But these guys have lost their edge. The future belongs to the energy and the street smarts of the Third Generation.

Take, for example, a right-wing issue like the Soviet attack on KAL 007. For the First Generation, it's a clash of philosophies, Marxist brutality, Western open skies. The Second Generation might commission a two-year study on Asian flight paths and original intent. But the Third Generation? "When 269 people are killed we think in terms of what slogan to produce," says Amy Moritz, Maryland's outstanding young Republican of 1978. "Two-hundred-sixty-nine fits on a button or a bumper sticker."

In a way, one imagines, this is progress. As they studiously transcribe what they have learned in movie theaters and dance halls onto bumper stickers and buttons, the Third Generation will reach a far greater audience than right-wingers ever have. Of course, something of conservatism's substance is lost in the translation, and there is a certain aimlessness in ideology so crudely rendered. But no one seems to mind. By all accounts the First and Second Generation are content to be led passively into battle by their progeny, triumphing over experience, the blind leading the bland.

—*Malcolm Gladwell*

First Ladies. Betty Boyd Carol. *Oxford University, $19.95*. This book has more information than you probably ever wanted to know about the wives of the presidents. It's no doubt sexist to note it will be more interesting to women than to men, but anyone curious about the politics of the changing roles of women in our social history will find much to ponder here.

Consider the title of the wife of the president. For years no one knew exactly how to address her. She's been called "Mrs. President" and "Presidentress." But how she has been acknowledged tells us as much about the politics of the time as about the woman.

Martha Washington, for example, was sometimes called Lady Washington because pomp and circumstance were still fresh in the collective memory of the fledgling republic. Since she refused to talk about politics, she was handled gently by the press. Abigail Adams, who followed her, was mercilessly ridiculed for being foolish in "loyally supporting her husband's views."

James Buchanan, one of the two bachelors to be elected president (the other was Grover Cleveland, and he married while occupying 1600 Pennsylvania Avenue), heard his niece, who acted as his hostess, described as "Our Democratic Queen." But because Buchanan was not married, he was suspect in another way. *The New York Times* compared his treacherous nature to that of Cain and Judas Iscariot, two historical villains who also lacked a softening female influence in their lives.

If the public clamored for the

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president to have a wife, it also expected her influence to remain within the sphere of traditional women's work.

Lucy Hayes, wife of Rutherford, is typical. Hailed as a "New Woman" because of her college education, she knew better than to speak on behalf of the suffragettes. Instead she gave birth to eight children in 20 years and focused her attention on her husband's career. Washington's sophisticates found her intolerably dull—they dubbed her "Lemonade Lucy" for banning alcohol from the White House. But when she accompanied her husband across the expanding country, the first presidential couple to cross from the Atlantic to the Pacific, newspapers hailed her as the "first lady of the land."

"First Lady" as a title flourished, although Jacqueline Kennedy initially forbade her staff to use it. Nancy Reagan has been accused of elevating the role of First Lady to that of an "Associate Presidency." But her influence pales next to that of Edith Wilson. When husband Woodrow Wilson suffered a stroke, she guarded entry to his bedside with such ferocity that some observers said she *was* president, exercising "petticoat government."

No matter what you want to call her, the wife of the president usually has the power inherent in most wives, that of "pillow talk." Such intimate, ill-defined, but very real power inevitably troubles an American public, guaranteeing an ambivalent response to a First Lady's unelected role in political life.

—Suzanne Fields

Exile Within: The Schooling of Japanese Americans, 1942-1945. Thomas James. *Harvard University Press. $25.00*

O.K., let's see a quick show of hands: How many of you remember thinking that the president is chosen by an "Electrical College?" Only a few? Maybe you were one of the wise guys in the front of the class who recognized the absurdity of an unnamed vocational school appointing our nation's chief executive.

Not much has changed. Well after breaking faith with Santa Claus, some kids still believe in the Electrical College. (I have taught such students in Vermont and Maryland.) The only difference between then and now is that in this year of constitutional fever, "Education for Democracy" has become a very big issue. A widely publicized pamphlet of this title, sponsored by the American Federation of Teachers and signed by 150 "prominent Americans" (the statement's phrase), reminds us, yet again, that the majority of American high schoolers can't identify *Brown* v. *Board of Education*, Winston Churchill, or Joseph Stalin, let alone describe the electoral process.

Don't fall into the trap of assuming that there was ever a time when kids could recite the Federalist Papers. The AFT statement points out that less than half of American college freshmen surveyed in 1943—"The patriotic era," according to the pamphlet—could list four points in the Bill of Rights.

Thomas James reveals, however, that during the same period the students who experienced most forcefully the hateful underside of this patriotism—the 30,000 Japanese-Americans, mostly second generation "Nisei," who attended federally administered schools at "relocation centers"—had a more subtle, emotional understanding of our democracy than "free" kids.

Examine, as James does in his short but provocative book on their education, the graduation speeches—typically the most banal and bombastic of American rituals—that they delivered within their parched, barbed-wire prisons. "We stand for tolerance," opined one student, "for we know the injustice and bitterness that can arise where there is bigotry and intolerance." Another speaker offered a sophisticated, honest critique of American history that is still largely absent from our classrooms and textbooks: "America makes mistakes, great mistakes," the speaker said, listing the nation's crimes against the Indians, Negroes, and, with unusual empathy, against German-Americans during the previous World War. "Her history is full of errors, but with each mistake she has learned." Studying quite literally in the shadows of guard towers—or in classes ravaged by dust storms, which prevented conversation and sometimes even vision across the room—many "Nisei" emerged with just the sort of educaion the AFT, William Bennett, and the rest of us say we want our kids to have.

How they developed their democratic consciousness says something about education reform today. It certainly didn't come from their teachers, most of whom resented their "Nisei" students. (Typical was the teacher who, when a student asked why her people hadn't been allowed to prepare for deportation, snapped: "We were not prepared for Pearl Harbor, were we?") And it wasn't the progressive curriculum, including a special "Problems of Democracy" course, that made them understand freedom. It was their first-hand experience of political represssion.

Score one for the AFT's wise recommendation that schools devote more attention to other nations, "both democratic and nondemocratic." But nowhere does the statement call for public service outside of school that would force our kids to challenge their assumptions about government and society in the emotional way the "Nisei" had to examine their own. Our kids would know a whole lot more about America's grandeur and weaknesses if they had to work in day-care centers, hospitals, prisons, parks. They would have to ask themselves: Why is that person in jail? Why is that person a drug addict? Why can't that person find a job? Libertarians will squeal that this is servitude, not service. We can't *force* our kids to work in some hospital a few hours a week. Why not? We force them to sit in some classroom—and for a lot longer than that. They may never, nor should they, receive an education for democracy on par with the "Nisei's" gruesome lesson. But they could get a hell of a lot richer one than they're getting now.

—Jonathan Zimmerman

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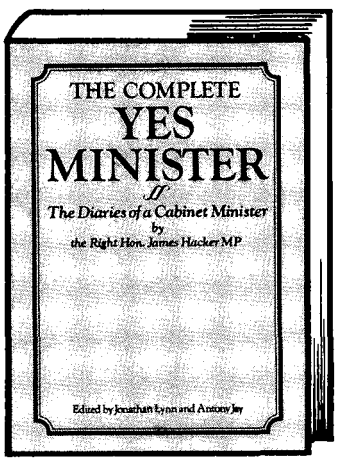
If no one knows what you're doing, then no one knows what you're doing wrong.

By the end of James Hacker's first year in office, he will have covered up patientless hospitals, illegal arms sales, patronage jobs, discrimination and government extravagance. It's been a very good year.



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